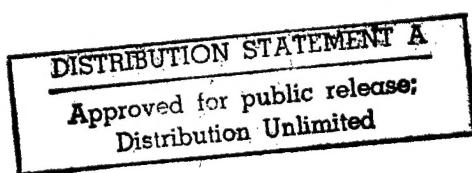




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NATIONAL AFFAIRS, POLICY

Economy During Seventh Five-Year Plan

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[Article by Zhang Junkuo (1728 6511 2368) of State Council's Development Research Center, edited by Zeng Ming (2582 0682), revised February 1991: "Comprehensive Analysis of Economic Performance During Seventh Five-Year Plan Period—Measurement of Rates of Contribution of Various Elements in Economic Growth"]

[Text] I. Proposing the Question

The Seventh Five-Year Plan required that we persist in placing the raising of economic performance, especially the raising of product quality, in an extremely prominent position, correctly handle the relationship between results and speed and between quality and quantity, and on this basis guarantee the sustained and stable growth of the economy. During the period of the Seventh Five-Year Plan, our country's GNP grew at an average 7.7 percent annually, a little higher than the 7.5 percent annual growth stipulated in the plan. Comparing this with places abroad, we see that not only was this figure higher than that of developed Western countries, it was also higher than that of the majority of developing countries and regions. It was similar to the figures for Singapore and Hong Kong, which constitute two of the four small dragons of Asia. Thus, we can say that the growth rate goal of the Seventh Five-Year Plan was basically realized. However, when we use the conventional performance indicators of our country's statistical system to examine the performance during the Seventh Five-Year Plan, we frequently observe contradictory phenomena, with some performance indices showing an improved situation and others showing deterioration. Thus, it is very difficult to make a quite objective appraisal of the overall performance situation. For example, during the first four years of the Seventh Five-Year Plan, the labor productivity of all personnel grew from 980.9 yuan per person in 1985 to 1206.8 yuan per person in 1989.¹ However, at the same time, the newly added national income per 100 yuan of accumulation fell from 53 yuan in 1985 to 30 yuan in 1989. Thus, in order to analyze and grasp in an overall way the performance situation during the period of the Seventh Five-Year Plan, it is necessary to adopt the growth element analysis method frequently used in economic analysis abroad, so as to make a correct assessment and appraisal of the rate of contribution made by various factors to economic growth, and especially of the changes in total factor productivity which can reflect the overall performance of the national economy, and its contribution to economic growth.

There are two methods usually used for measuring the contribution rates of various elements in economic growth. One is the frequently used element analysis method established by the U.S. economist Edward F.

Denison. This method primarily uses the actual GDP growth rate as a major index to measure the actual speed of growth of the economy. Then, through determining the proportion which the income distribution of the various production elements constitutes in GDP (that is, the income distribution rate of the various elements), the proportion which the consumption by the various elements constitutes in total consumption by all elements (that is, the consumption rate of the various elements), as well as changes in the various aspects affecting the per-unit comprehensive factor input-output levels, and then carrying out comprehensive balancing, it is possible to calculate the contribution rate of various elements to economic growth.² The other method is the method used in this article, which is calculated in accordance with the Cobb-Douglas production function with actual economic data. The formula used is: $Y' = A' + aL' + (1-a)K'$. This is proposed on the basis of the Douglas production function. In this formula, Y' represents the rate of economic growth; A' represents the growth in total factor productivity or the rate of contribution which the raising of total factor productivity has on economic growth; L' is the growth in labor element input; K' is the growth in capital element input; a is the labor output elasticity coefficient; aL' is the rate of contribution which the labor element input constitutes in economic growth; and $(1-a)K'$ is the rate of contribution which the growth in capital element input constitutes in economic growth. This method was widely used in the 1960's and 1970's in Western countries for analyzing the contributions which the various elements made to economic growth. In recent years, there has been much criticism of this method in foreign economic theory circles, with claims that it "is an extremely 'despotic' simplification," and consequently more complex quantitative models have been put forward.³ However, we believe that, as a quantitative model constituting a high-level summation of the overall economy, its theory is essentially correct, and thus it is acceptable. Also, because of the lack of statistical data in our country, this simple quantitative model is more suited to the initial work of positivist analysis of our country's economy. Thus, the main difficulty in measuring the rate of contribution of various elements of our country's economy to economic growth is ensuring that, in accordance with the actual situation in our country, we make appropriate estimates and readjustments of the economic variables involved in the formula. It is precisely the difficulties in this area that have meant that while in recent years there has been quite an amount of factorial analysis of growth, because it has been limited to the industrial sector and it is not very representative, or because although it is measuring overall economic performance and much basic data is based on hypotheses, its reliability is very low.⁴

II. Output Level and Its Rate of Growth (Y')

Strictly speaking, the indicator for measuring the rate of economic growth should be the rate of growth in GNP, but because, prior to the 1980's, our country did not have such a statistical indicator, and because in recent

years the growth in GNP and the growth in national income have been extremely close to each other, it is basically acceptable to use the growth in national income instead of the growth in GNP.

The problem is that, although the national income growth figures published by the State Statistical Bureau are calculated on the basis of unchanging prices, because the growth in many products of township and town enterprises has been calculated in accordance with output value at current prices, and the output value of many new products has been calculated in accordance with newly fixed prices, the estimates of growth in national income calculated in accordance with unchanging prices are too high. According to estimates by relevant departments, this item alone has resulted in the estimates of national income being about 20-30 percent too high every year. Actually, if the estimates were equally high every year, the effects on the overall growth rate would not be very great. The problem is that in recent years the inflation situation has differed in different years and the "current price exaggeration" has differed every year, with it being far higher in periods when inflation is high than in periods when inflation is low. Further, periods when inflation is quite high are often periods when the economy has seen quite high-speed growth. In such a period, "ineffective supply," where goods without markets and goods of inferior quality are being produced, becomes more serious. That is to say, the "current price exaggeration" and "ineffective supply" components are in direct ratio with the inflation rate. Based on this analysis, we have taken the average reduction index [ping jian zhi shu 1627 8096 2172 2422] of national income as the inflation rate indicator. On the basis of various analyses in recent years of inflation and the "current price exaggeration" and "ineffective supply" rate situations, we took the inflation rate of 15 percent as the "current price exaggeration" and the "ineffective supply" rate in national income. This was then deducted from the amount of national income calculated on the basis of unchanging prices and, after this, the growth rate was calculated in accordance with the amount of national income calculated on the basis of unchanging prices after readjustment. For the average reduction index of national income each year, as well as the absolute value of national income each year calculated in accordance with unchanging prices prior to readjustment, and the absolute value of national income based on unchanging prices, see column 1 of Table 1 and column 1 of Table 2.

III. The Growth Rate of Labor Element Input (L')

Labor factor input refers to the actual amount of labor put into the process of production, and it is measured in labor time based on standard intensity of labor. In a situation where the labor market is quite full and labor income can quite accurately reflect labor intensity and labor time, we can use the rewards in the labor sector to measure the volume of labor input. The problems are: 1) In our country, the labor market is very incomplete and

the egalitarianism in distribution has not been completely eliminated. Thus, it is very difficult for rewards for labor to really reflect the actual amount of labor input. 2) Seen in terms of the overall national income, labor rewards include not only the money wages of urban staff and workers and the money income and self-sufficiency consumption of the rural residents, but also the various subsidies and goods which the urban staff and workers receive. It is at present very difficult to obtain accurate and complete statistical data relating to these aspects. Another method of estimating the volume of labor input is to use the number of laborers to show the volume of labor input. The advantage of this is that there is no problem of price readjustment and the data is easily obtainable. The defect is that it cannot reflect the different labor intensity of different laborers or the duration of their labor. However, considering that what is being calculated here is the growth rate, then as long as there are no major qualitative changes among the laborers during the period being calculated, the growth rate of labor input volume will not be greatly affected. Comparatively speaking, the latter method of calculation is quite correct and simple. Thus, this article has used the number of social laborers over the years to calculate the growth in labor input volume in the various periods.

IV. The Growth Rate of Capital Element Input (K')

The value of K in the Douglas production function should be the overall volume of capital which directly or indirectly forms production capacity. It includes direct production and the various types of fixed assets and circulating assets which provide the various material products and labor. It also includes the various service and welfare facilities, such as housing and so on, which serve the production process. The total volume of capital in any year is equal to the total volume of capital in the previous year, together with the volume of newly added capital in the current year. Also, the volume of capital newly added in that year is also formed by the net investment (that is, total investment less depreciation) in the year before and in previous years. Thus, the estimation of the overall volume of capital can be done in four steps: 1) estimating the overall volume of capital in the initial period (in this article, that is 1952); 2) estimating the amount of net investment in each year; 3) estimating the volume of newly added capital each year; 4) in accordance with the formula that the total volume of capital in a year is equal to the total volume of capital in previous years plus the amount of newly added capital, calculating the total amount of capital in each year and, on this basis, calculating the rate of growth of the total volume of capital in each year.

1. The total volume of capital in 1952.

When calculating a total factor productivity for our country, the U.S. economist Perkins estimated the total volume of capital in 1953 as 214.5 billion yuan.⁵ The logic used was based on the supposition that the total volume of capital in any one year is three times the

national income in that year. That is, he hypothesized that the capital-output coefficient in 1953 was three.

Through analysis and verification, we can say that the Perkins estimate of the assets volume in 1953 is basically acceptable. This is because it is generally held that during the period of the First Five-Year Plan, our country's economic development results were quite good and, if we calculate the capital-output coefficients in accordance with the estimated value, during the First Five-Year Plan the average figure was 3.15, during the Cultural Revolution period, the average figure was 4.70 and, since the reforms, the average has been 4.50. This is basically the same as people generally believe. Thus, in the calculations we have adopted this estimated value. On the basis of the capital volume increase in 1953, the overall volume of capital in 1952 was about 200 billion yuan in the renminbi of that year.

2. The net investment in each year calculated on the basis of unchanging prices.

For the following three reasons, it is very difficult at present to obtain systematic data on net investment: 1) accurate and realistic data on fixed asset depreciation is lacking; 2) it is very difficult to get quite complete data on circulating assets investment; 3) there are no complete data on fixed asset investment prior to the 1980's. Seen from the angle of the overall national economy, a figure which is quite close to the figure of investment and is easy to obtain data for is the amount of accumulation. The concept of accumulation in our country is equivalent to the concept of overall savings abroad, and it refers to the amount remaining after consumption is subtracted from national income. If this remaining volume is used entirely in investment, the amount of net investment will be equivalent to the amount of accumulation. If this remaining amount is not entirely used in investment, a differential will occur. At such a time, the phenomenon of surplus of the total social product will occur.⁶ Because both prior to and since the reforms the normal situation in our country's economy has been excessive investment and insufficient supply, in terms of the final usage of the total social product, the equivalence of the amount of net investment and the amount of accumulation should be seen as the normal situation of the economy. Based on this analysis, we believe that it is quite feasible to use in our calculations the amount of accumulation in each year in place of the amount of net investment in each year.⁷ Further, because here we are calculating the trend of net investment and not the absolute level, the effects of the discrepancy between the amount of accumulation and the amount of net investment can be greatly reduced.⁸ However, the amount of accumulation as published by the State Statistical Bureau was calculated on the basis of prices in that year, and in order to obtain real net investment and its rate of growth it is necessary to convert the index of the amount of accumulation in accordance with unchanging prices. The indexes of the amount of accumulation have been calculated through appropriate readjustment of the initial data provided by the State Statistical Bureau. The

net investment amounts calculated in accordance with unchanging prices through this method can be seen in column 1 of Appendix B.

3. The amount of newly added investment in each year.

For investment to be converted into specific production capacity or capital which can serve the production process, a certain time lag is involved, and different types of investment involve different lengths of time lag. Thus, if we are to convert the amount of net investment each year into an amount of newly added capital in each year, it is necessary to calculate the time lag coefficients for changing investment into capital. According to an analysis of the formation of accumulation and its characteristics (linked with fixed assets investment), we can calculate that the time-lag coefficients for turning investment into capital are: About 26 percent of investment is converted into capital in the same year; about 26 percent of investment is converted into capital in the second year; about 20 percent of investment is converted into capital in the third year; about 12 percent of investment is converted into capital in the fourth year, about 9 percent of investment is converted into capital in the fifth year and about 7 percent of investment is converted into capital in the sixth year.⁹

On the basis of the above-mentioned time-lag coefficients, we calculated the volume of capital increase in each year. The method of calculation was as follows: The amount of capital increase in each year is equivalent to 7 percent of the investment six years previously, plus 9 percent of the investment five years previously, plus 12 percent of investment four years previously, plus 20 percent of investment three years previously, plus 26 percent of the investment in the previous year, plus 26 percent of investment in the current year. In order to obtain the amount of capital increase in the various years from 1952 to 1956, we based our calculations on the actual figures and growth situations in the years from 1952 to 1957 and hypothesized that the net investment from 1947 to 1951 was as follows: In the three years prior to liberation, that is from 1947 to 1949, the respective figures were 5 billion yuan, 5 billion yuan and 7 billion yuan in the renminbi of 1952. In the two years after liberation, that is in 1950 and 1951, the figures were respectively 9 billion yuan and 11 billion yuan in the renminbi of 1952. The amount of newly added capital calculated for each year is listed in column 2 of Appendix B.

4. The overall volume of capital and its rate of growth in each year.

According to estimates similar to the above, the overall volume of capital in 1952 was about 200 billion yuan. In the subsequent year, the overall volume of capital was equivalent to the amount of capital newly added in that year plus the overall volume of capital in the previous year. The results of the calculation can be seen in column 3 of Appendix B.

V. The Output Elasticity Coefficients of Labor and Capital

The Douglas production function hypothesises that output is the result of a combination of labor and capital input. The significance of the output elasticity coefficient is that it defines the ratio between these two input elements. As the production function can change following changes in the resource conditions and levels of technology, so output elasticity coefficients change with place and time. According to international experiences, it is generally held that because the majority of developed countries have capital-intensive economies, the labor output elasticity coefficient is generally quite low, while the capital output elasticity is quite high, and that the ratio between labor and capital output elasticity coefficients is about 0.4:0.6. However, in developing countries, because they generally have labor-intensive economies, the labor output elasticity coefficient is quite high, and the capital output elasticity is quite low, with the ratio between the two being 0.6:0.4. In the research on labor and capital output elasticity coefficients in our country's economy, Chinese and foreign scholars have produced different estimates ranging from 0.6:0.4 to 0.4:0.6, and some have used the above-mentioned ratios to carry out comparative calculations.¹⁰

When using the Douglas production function to estimate the total factor productivity of our country, in the estimation of labor and capital output elasticity coefficients, we must consider the structural characteristics of our country and the latent surplus labor. This is because:

1. According to its definition, in the Douglas production function, (a) and (1-a) represent the labor and capital output elasticity coefficients. Although in calculation, in general the combination ratio between labor and capital in the actual economy is used to represent the numerical value of (a) and (1-a), the combination ratio between labor and capital in reality is not necessarily able to truly reflect the output elasticity of labor and capital. In fact, if one wants to ensure that the combination ratio between labor and capital in the actual economy can truly reflect the real output elasticity of labor and capital, there must be two basic preconditions: 1) The volumes of labor and capital in the actual economy must be combined in an effective ratio. That is, neither labor nor capital must be too great or too small. In other words, there must not exist any latent surplus of labor or capital, and it must be possible to fully utilize the two elements. Otherwise, the role of one of the elements will not be brought into play and a latent surplus of one element will appear (abbreviated to an element in "over-supply"), while the other element will experience a situation where supply cannot meet demand (abbreviated to an element in "short supply"). In such a situation, if one calculates (a) and (1-a) in accordance with the actual combination ratio of the two elements, the output elasticity of the element in "over-supply" will be over-estimated. 2) When the volume ratio is effective, in the actual economy the injection of labor and capital must also be increased according to an effective ratio. In other words, an increase in the injection of labor by a certain

volume must be accompanied by an increase in the injection of capital by a certain volume; and vice versa. Otherwise, there will be a latent surplus of labor or capital. Under such circumstances, if one calculates (a) and (1-a) in accordance with the actual ratio of increase of the two, the output elasticity of the element in "over-supply" will also be over-estimated. If the volume ratio of labor and capital in the actual economy does not achieve an effective ratio, that is, if there is a latent surplus of labor or capital, then only when the volume of growth of the element in "short supply" exceeds the latent surplus of the element in "over-supply" will the growth of the element in "over-supply" be able to make a contribution to output growth. This is because in a situation where the latent surplus volume of the element in "over-supply" has not been fully absorbed, the increased input of the element in "over-supply" will lack the necessary accompaniment of the element in "short supply," and thus not only will output not increase, it may occur that when the volume of latent surplus of the element in "over-supply" is too great, the existing level of output will decline. From this, we can see: 1) When, in an economy, the labor-intensive economic component is quite great (that is, when, in the proportional relationship between labor and capital, the labor input constitutes quite a large proportion), it does not necessarily mean that the output elasticity coefficient of labor is quite high. On the other hand, a capital-intensive economy does not necessarily mean that the output elasticity coefficient of capital is quite high. 2) An increase in the input of an element does not inevitably promote a growth in output. Under certain conditions, such input can have a negative influence on growth in output.

2. The Douglas production function was defined on the basis of the experiences of the market economy states. In general, under market conditions, on the one hand, as enterprises have the seeking of maximized profits as their goal, the latent surplus of labor and capital within enterprises is quite small, and the actual combination ratio of labor and capital is quite close to an effective ratio. On the other hand, a growth in labor input is accompanied by a corresponding input of capital, and an increase in capital is combined with a corresponding input of labor. The growth rate of the two is thus close to an effective ratio. Thus, when calculating the total factor productivity of the market economy states, the output elasticity coefficients of labor and capital as reflected in the actual combination ratio between labor and capital are quite close to the real elasticity coefficients.

3. The situation in our country differs from the above as follows: 1) In our country there has always existed huge employment pressure. 2) Our country's economic structure has meant that a large volume of surplus labor has not been manifested as unemployed population or been separated from social laborers. Rather, such surplus labor exists within enterprises or rural production units, and such persons have been included in the total number of social laborers. 3) The fact that for a long period in the past there has existed in our country's economy a large volume of latent surplus labor means that the increase in capital

input in our country has never been able to fully absorb the latent surplus which exists in the labor volume. In such a situation, the increase in labor input lacks the necessary accompaniment of increase in capital input and thus the contribution to output growth is extremely limited. If we use the combination ratio between labor and capital in the actual economy to calculate the output elasticity coefficients, the output elasticity will be greatly over-estimated.

From this, we can see that: 1) In our country's economy, the labor-intensive economic component is quite large, and there is no basis for forming a quite high labor output elasticity coefficient. 2) In the growth of output in our country, the contribution made by growth in labor input is actually very small as compared to the contribution made by growth in the capital element input. Thus, on the basis of the numerical values used in the various estimates, we believe that fixing the ratio between the output elasticity coefficients of labor and capital as 0.3:0.7 is in accord with the actual situation in our country.

VI. The Contribution of the Growth Rates of Various Elements to the Economic Growth of Our Country

Below, we will measure the rate of contribution of different elements to economic growth in periods distinguished in

two ways. The first is periods divided in accordance with five-year plans. The aim of this is to examine the contribution of different elements made to economic growth during the Seventh Five-Year Plan and the difference between that five-year plan and the other five-year plans. The other way is to divide periods by stages based on changes on economic growth and structural models. The aim of this is to examine the contribution made to the rate of economic growth by the various elements in different development stages and under different structural models. In the latter analysis, in the division into stages, we must stress the following two points: 1) We calculate the Great Leap Forward period and the five years following the Great Leap Forward together. 2) The Cultural Revolution period is calculated up to 1977 and the reform period is calculated as beginning in 1978. This is because although our country officially put forward the economic reforms at the end of 1978 and they formally commenced in 1979, in fact beginning in 1978 reform measures, including the rural contracted responsibility system, the implementation of distribution according to labor, and the revival of material incentives, were being trial-implemented and were playing a role in the overall economy. The rates of contribution of the various elements in economic growth calculated in accordance with periods divided in these two ways are separately presented in Table 1 and Table 2.

Table 1—The Rates of Contribution of Various Elements to Economic Growth, Calculated in Accordance With Divisions Based on the Five-Year Plans

Period	National Income Growth Rate	Contribution of Labor Input Growth	Contribution of Capital Input Growth	Contribution of Total Factor Productivity
	(Y')	(aL')	(1-a)K'	(A')
First Five-Year Plan	8.9 (100)	0.84 (9.4)	5.04 (56.6)	3.2 (34.0)
Second Five-Year Plan	-3.1 (100.0)	0.51	7.07	-10.68
Period of Recovery	14.5 (7.0)	1.02 (24.6)	3.57 (24.6)	9.91 (68.4)
Third Five-Year Plan	8.5 (100.0)	1.11 (13.1)	4.13 (48.6)	3.26 (38.3)
Fourth Five-Year Plan	5.4 (100.0)	0.63 (11.7)	5.53 (102.4)	-0.76 (-14.1)
Fifth Five Year Plan	5.9 (100.0)	0.63 (10.7)	5.32 (90.2)	-0.05 (-0.9)
Sixth Five Year Plan	9.8 (100.0)	0.99 (10.1)	4.97 (50.7)	3.84 (39.2)
Seventh Five-Year (First 4 Years)	8.2 (100.0)	0.78 (9.5)	6.23 (76.0)	1.19 (14.5)
Seventh Five-Year (Estimate)	7.4 (100.0)	0.79 (10.7)	6.23 (84.2)	0.38 (5.1)

Note: The numbers without parentheses are the actual economic growth percentages which the various elements contributed, while the numbers within parentheses are the percentages which their contribution constituted in the total growth.

Method of calculation: First, the labor input and capital input growth rates for the various periods were calculated in accordance with the "number of laborers in the whole society" (see *Statistical Yearbook of China (1990)*, p 113. The figure for 1990 was extrapolated from the average growth rates in the previous four years of the Seventh Five-Year Plan) and the "Total Volume of Capital" (see Appendix B). Then the contribution of labor input growth was calculated by multiplying labor input growth by 0.3, while the contribution of capital input growth was calculated by multiplying capital input growth by 0.7. The contribution of total factor productivity growth was taken as the remainder after deducting the contribution of labor input growth and the contribution of capital input growth from the national income growth.

From Table 1 we can see: 1) According to the national income data, calculated in accordance with comparable prices and subsequent to readjustment, in the first four years of the Seventh Five-Year Plan, national income grew at an average annual 8.2 percent. Of this, 0.78 percent was contributed by an increase in the labor element input, 6.23 percent was contributed by an increase in the capital element input, and only 1.19 percent was contributed by an increase in total factor productivity. However,

according to the estimate for the overall five-year plan, of the 7.4 percent by which national income grew, 6.23 percent was contributed by an increase in capital input and only 0.38 percent was contributed by the raising of total factor productivity. This shows that overall performance saw a serious decline during the Seventh Five-Year Plan period. 2) When compared with the Sixth Five-Year Plan, we see that in the economic growth during the Seventh Five-Year Plan, the growth proportion contributed by the

labor element has been basically maintained at the same level, while the growth brought by capital input has seen a large increase. This has resulted in a great decline in the growth brought by the raising of total factor productivity. This situation shows that, as compared to the Sixth Five-Year Plan period, economic growth during the Seventh Five-Year Plan mainly relied upon a great increase in capital input. 3) If we compare the contribution made by the growth of various elements during the various Five-Year Plan periods, we can see that, if we exclude the abnormal changes during the Second Five-Year Plan and the three-year period of recovery, the growth performances during the First, Third and Sixth Five-Year Plan periods were quite good and this was mainly manifested in the

quite high growth component brought by the raising of total factor productivity, with respective figures of 34.0 percent, 38.3 percent and 39.2 percent. However, the growth component brought by capital input increase was quite low, with respective figures of 56.6 percent, 48.6 percent and 50.7 percent. During the Fourth Five-Year Plan and the Fifth Five-Year Plan periods, because of the "Leftist" ideological influence during the Cultural Revolution, the growth performance situation was quite poor, with the total factor productivity not only not increasing, but actually seeing an annual average fall during the two plans of 0.76 and 0.05 percent respectively. Thus, the source of growth lay entirely with the increase in element input and especially with increased input of capital.

Table 2—The Rates of Contribution of Various Elements to Economic Growth, Calculated in Accordance With Divisions Based on Development and Structural Characteristics

Period	National Income Growth Rate (Y')	Contribution Contribution of Labor Input Growth (aL')	Contribution of Capital Input Growth (1-a)K'	Contribution of Growth in Total Factor Productivity (A')
1953-1989 (37 years)	6.75 (100.00)	0.81 (12.00)	5.29 (78.37)	0.65 (9.63)
Period Prior to Reforms 1953-77 (25 years)	5.98 (100.00)	0.77 (12.88)	5.20 (86.96)	0.01 (0.16)
of which:				
1. First Five-Year Plan 1953-1957	8.93 (100.00)	0.83 (9.29)	5.06 (56.67)	3.04 (34.04)
2. Great Leap Forward and Subsequent Period 1958-1965	3.17 (100.00)	0.71 (22.40)	5.73 (180.76)	-3.27 (-130.15)
of which:				
a. Great Leap Forward Period 1958-1960	9.04 (100.00)	0.86 (9.51)	7.84 (86.73)	0.34 (3.76)
b. Period Subsequent to Great Leap Forward 1961-1965	-0.19 (100.00)	0.62	4.48	-5.29
3. Cultural Revolution Period	6.15 (100.00)	0.80 (13.01)	4.91 (79.84)	0.44 (7.15) 1966-1977 (11 years)
Period of Reforms (12 years) 1978-1989	8.91 (100.00)	0.86 (9.65)	5.49 (61.62)	2.56 (28.73)
of which:				
1. Early Period of Reforms 1978-1984	8.78 (100.00)	0.88 (57.63)	5.06 (10.02)	2.84 (32.35)
2. Later Period of Reforms	9.09 (100.00)	0.84 (9.24)	6.09 (67.00)	2.16 (23.76) 1985-1989

Note: The numbers without parentheses are the economic growth percentages which the various elements contributed, while the numbers within parentheses are their rates which the contributions form within the overall growth.

Method of calculation: See Table 1.

Looking at Table 2, we can understand the following points:

1. Comparing the period of reform with the period before the reforms, we see that the speed of growth of total factor productivity has markedly increased. In the 25 years prior to the reforms, the average annual contribution made by increases in total factor productivity was only 0.01 percent, while in the 12 years of the reform period, the average annual contribution made by comprehensive factor productivity reached 2.56 percent. This shows that the reforms brought vigor to the economy and promoted the raising of production efficiency.

2. In the period of the First Five-Year Plan, which occurred before the reforms, development was quite good and results were quite high. From 1953 to 1957, the average annual growth in national income was 8.93 percent. In this, the contribution of labor element input growth was 0.83 percent, the contribution of capital element input growth was 5.06 percent, and the contribution of the productivity increase was 3.04 percent. However, this positive situation did not last long. The great increase in input, but with no stress placed on results, during the Great Leap Forward resulted in the contribution of total factor productivity falling to 0.34 percent and the contribution to economic growth falling from the 34.04 percent of the First Five-Year Plan to

3.76 percent. Not only this, but the plundering-style use of economic resources during the period of the Great Leap Forward and the deterioration of the economic structure had an extremely disadvantageous effect on economic development. It also meant that in the subsequent five years the contribution of total factor productivity to economic growth not only did not grow, but actually saw an average annual decline of 5.29 percentage points. Also, during the Cultural Revolution period, because of major mistakes in the policies guiding economic work and the influence of "Leftist" ideology, growth in economic efficiency was extremely slow, and the contribution this made to economic growth was extremely limited.

3. We can take the credit inflation which appeared at the end of 1984 together with the excessively high growth which occurred at the beginning of 1985 as a marker point by which we can divide the reform period into the early reform period and the later reform period. Comparing the early period with the later period, we see that the effective increase in the early period was quite high. This was because: 1) The early period had the great potential for growth which had accumulated over the previous 20 years. Due to the implementation of the policies of reform and opening up, this potential was

greatly released within a short period, meaning that the economy was able, with little input, to achieve a quite high speed of growth. This resulted in a great increase in efficiency. 2) The success of the rural reforms during the early period allowed agricultural production to break through the situation of hesitation it had experienced for a long period and achieve a quite swift growth. 3) The guiding policies for economic development in the early period were quite stable, the various economic relationships were quite coordinated and economic growth was quite stable. Thus, the effects of economic growth were quite good. 4) In the later period, on the one hand, because the reforms were slowed down, there was a lack of coordination, and the overall functions of the economic structure were harmed, the macroeconomic results saw a decline. On the other hand, as the development policies sought a high speed, there were great fluctuations in economic growth and the various economic relationships were not coordinated, which also created a decline in economic results.

4. By synthesizing Table 1 and Table 2 we can discover that, as compared with the countries and regions which saw quite swift development after World War II, the contribution made by total factor productivity in economic growth in our country was clearly lower.

Table 3—An International Comparison of the Rates of Contribution of Various Elements to Economic Growth (percent)

	Rate of Contribution of Labor Element Input Growth	Rate of Contribution of Capital Element Input Growth	Rate of Contribution of Growth in Comprehensive Factor Productivity
China (1953-89)	12.00	78.37	9.63
-Period Prior to Reforms	12.88	86.96	0.16
-Reform Period	9.65	61.62	28.73
South Korea (1963-71)	37.39	23.81	38.79
Japan (1953-71)	21.00	23.84	55.16
United States (1948-69)	32.50	19.75	47.75
Canada (1950-67)	37.37	23.03	39.60
West Germany (1950-62)	21.85	22.49	55.66

Note: For the data on places other than China, See (South Korea) Jin Guangxi and Pu Junqing, "Elements in the High-Speed Growth of the Korean Economy," Xinhua Publishing House, 1981 pp 52-53

Appendix A—Readjustment Data for National Income

Year	Average Reduction Index for National Income (Percent)	Absolute Value of National Income Prior to Readjustment (100 million yuan)	Absolute Value of National Income After Readjustment (100 million yuan)
	(1)	(2)	(3)
1952	NA	589.0	589.0
1953	5.6	671.5	665.8
1954	-0.6	710.3	710.6
1955	-1.3	755.7	756.8
1956	-1.0	862.3	864.8
1957	-1.9	901.2	903.2
1958	0.9	1099.7	1098.2
1959	1.0	1190.4	1188.6

Appendix A—Readjustment Data for National Income (Continued)

Year	Average Reduction Index for National Income (Percent)	Absolute Value of National Income Prior to Readjustment (100 million yuan)	Absolute Value of National Income After Readjustment (100 million yuan)
	(1)	(2)	(3)
1960	1.3	1173.3	1171.0
1961	16.2	824.6	804.6
1962	-0.8	771.0	771.9
1963	-2.2	853.5	856.3
1964	0.1	994.2	994.1
1965	1.7	1162.7	1159.7
1966	-2.3	1360.6	1365.3
1967	1.1	1262.2	1260.2
1968	1.0	1179.8	1176.6
1969	-4.2	1407.7	1416.6
1970	-3.4	1735.2	1744.0
1971	0.8	1857.1	1855.0
1972	-0.04	1910.1	1910.2
1973	0.2	2068.6	2067.9
1974	0.2	2092.1	2091.6
1975	-1.6	2265.9	2271.2
1976	-0.4	2205.9	2207.1
1977	1.1	2377.8	2374.0
1978	1.4	2670.5	2665.1
1979	4.0	2857.2	2840.0
1980	3.4	3041.0	3025.3
1981	1.9	3189.4	3180.4
1982	-0.1	3450.4	3451.0
1983	1.1	3794.3	3787.8
1984	5.0	4310.9	4278.3
1985	9.4	4892.2	4820.6
1986	4.0	5268.6	5235.5
1987	7.3	5805.8	5740.1
1988	13.5	6450.1	6322.7
1989	8.2	6676.9	6609.8
1990	5.0	6930.6	6878.6

1. The average reduction index for national income = national income calculated in accordance with current prices divided by national income calculated in accordance with unchanging prices.

2. Column (2) shows national income for each year calculated at unchanging prices.

3. $= (2) - (2) \times (1) \times 15$ percent.

Source of data: *Statistical Yearbook of China (1990)*, pp 34-35

Appendix B—Data for Estimation of Total Volume of Capital

(Unchanging prices)		Unit—100 million yuan	
Year	Net Investment	Newly Added Capital	Total Volume of Capital
1952	130.0	96.80	2000.0
1953	169.0	120.34	2120.3
1954	195.0	146.84	2267.2
1955	192.0	166.22	2433.4
1956	235.0	189.71	2623.1
1957	251.9	212.73	2835.8
1958	409.9	271.51	3107.4
1959	569.9	364.27	3471.6
1960	510.5	427.72	3899.3
1961	200.1	387.05	4286.4
1962	90.9	300.66	4587.1
1963	163.3	247.34	4834.4
1964	241.2	233.17	5067.6
1965	358.0	253.09	5320.7
1966	467.2	304.57	5625.2
1967	311.5	324.06	5949.2
1968	321.2	334.04	6283.3
1969	386.1	351.37	6634.7
1970	665.2	442.08	7076.8
1971	731.9	539.75	7616.5
1972	687.7	599.18	8215.7
1973	787.8	667.07	8882.8
1974	784.7	721.11	9603.9
1975	868.5	782.35	10368.2
1976	783.5	794.13	11180.4
1977	861.0	814.48	11994.9
1978	1121.5	902.14	12897.0
1979	1153.8	990.88	13887.9
1980	1136.6	1054.42	14942.3
1981	1052.6	1066.86	16009.2
1982	1149.2	1099.44	17108.6
1983	1287.8	1162.88	18271.5
1984	1573.7	1283.18	19554.7
1985	2159.0	1540.26	21094.9
1986	2281.9	1801.02	22895.9
1987	2401.9	2034.77	24930.7
1988	2706.3	2275.37	27206.1
1989	2717.1	2468.77	29674.8
1990	2785.0	2616.54	32291.4

Footnotes

1. All-personnel labor productivity is calculated by dividing the national income, calculated in accordance with unchanging prices, by the number of laborers in society. Thus, this index excludes to a great degree the effects of price factors)
2. For the use of this method in measuring the contribution rates of various elements in our country's economic growth, see my "Economic Growth and Its Factoral Analysis," in *China's Macroeconomic Structure and Policies*, Zhang Fengbo (editor), Zhongguo Caizheng Publishing House 1988, pp 22-63.
3. See D.W. Jorgenson, "Productivity and U.S. Economic Growth," Economic Science Publishing House, 1989.
4. See Wu Jinglian (editor), "An Analysis of the Economic Situation in China in 1986," CHINA SOCIAL SCIENCES PRESS, 1989 edition).
5. Dwight H. Perkins, "China's Economic Structural Reforms" in GUANLI SHIJIE 1989 No. 1 p 60.
6. It needs to be explained that according to the current statistical method in our country, this surplus part of total social product will be manifested either as an increase in stock of completed products in production enterprises or as increases in the stocks of commercial or goods and materials departments. Thus, it is considered to be an increase in circulating assets accumulation. However, because this increase in circulating assets is a forced action, in the majority of situations it will not increase production capacity. Thus, it can only be seen as surplus total social product and not as an increase in investment.
7. As depreciation has already been deducted from the amount of accumulation, there is no need to further deduct depreciation when using the amount of accumulation to calculate the amount of investment.
8. It needs to be noted that this method of estimating investment only considers the investment formed through domestic accumulation and does not consider the net inflow of international capital. In consideration of the fact that the growth in capital inflow into our country since the reforms has been quite swift, in further calculation of the new investment, we should consider this element.
9. For the specific analysis and the process of estimation, please see Wu Jinglian and Zhang Junkuo (editors), "An Analysis of the Economic Situation in China in 1989," Chapter 5, in JINGJI GONGZUOZHE XUEXI ZILIAO 1990, No. 60.
10. See 1) (United States) Dwight H. Perkins, "China's Economic Structural Reforms in GUANLI SHIJIE 1989, No. 1, p 60; 2) (United States) R.F. Dernberger and R.S. Eckaus, "Financing Asian Development; 3) China and India," University Press of America, 1988, p 65; 4) Wu

Jinglian (editor), "An Analysis of the Economic Situation in China in 1986," p 55; 5) Guo Kesha, "The Elements of Economic Growth and Benefits Analysis 1979-1988" in JINGJI YANJIU 1990, No. 10.

Options for Combating 'Economic Dilemma'

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[Text] At present, there are principally two main lines of thought on policy considerations on how to get out of the economic dilemma. The first line of thought believes that, due to over tightening, current economic difficulties are caused by insufficient effective demand and stagnation in the sale of products, and that to get out of the dilemma it will be necessary to open up the market, start it in motion, and regain rapid growth. With the recovery of growth both profit and tax targets and financial conditions will be improved. The second line of thought believes, on the contrary, that market weakness has brought along a "laxity in environment" which economic circles have hoped for many years, that we should not "profess love of what we really fear," but that we should continue economic improvement and rectification, control gross volumes and growth rates, grasp the opportunity to enlarge the scale of reform, and solve deep-lying problems in economic life.

However, it does not mean that the major points separately emphasized by these two lines of thought cannot be concurrently considered, since in reality they condition each other. This is precisely the line of thought we advocate, that is, integrating setting the market in motion and readjusting the structure, and integrating the speeding up of reform with maintaining sustained growth. We may call this the third line of thought. The reason why this line of thought is the best option is first, not its conformity with wishes and ideals but its being truly the safe way out of China's dilemma. Only the third line of thought can pay comprehensive and concurrent attention to the near-term and the future, to development and reform, and to social stability and social progress.

What Kind of Economic Situation Are We Facing After All?

The source of divergences in the above-mentioned three lines of thought is their different analysis and judgement of the economic situation and their different understanding of the economic difficulties. Hence, a clear understanding of the situation is of key importance. Let us start from an examination of the most basic facts.

According to statistical data known to everybody, China's economy in 1989 made a sharp turn from its

heated state in 1988 to a semi-frigid condition. Effective gross demand composed of the three factors: investment in fixed assets, consumption and exports shrunk, and showed a big difference from the gross supply of the concurrent period and manifested an unprecedented piling up of an enormous amount of circulating funds (that is a newly increased social reserves or stocks, also called investment not wished for). In the fourth quarter of 1989, a conventional measure was adopted and funds totaling over 120 billion yuan were injected into the economy to help turn around its downward slide. Industrial production made a certain recovery but market sales did not turn for the better and the result was a further increase in stockpiles. Even forcing commercial and materials circulation departments to increase purchases did not help. In 1990, we began to loosen control over consumption by social groups and encouraged investment in fixed assets. Still, effective gross demand made no substantial increase. Basically the situation of new increases in stockpiles appeared once again. Up to the first two months of this year, although industrial production increased by 16.4 percent calculated in constant prices, market sales showed only a slight increase over the corresponding period of 1989.

The first problem that must be made clear is why effective gross demand was drastically shifted from being over-brisk to being over-weak.

The usual explanation is that it was caused by the "retrenchment and tightening" policy. But in reality the measure of economic improvement and rectification begun in September 1988 played a direct role only on consumption by social groups and on fixed assets investment, whereas little restriction was placed on residents' consumption and exports which account for around 70 percent of effective gross demand. If it is said that at one time efforts were made to try to reduce the scale of exports it was because at that time domestic market demand was over brisk. Obviously, depression or contraction of consumption demand was the prime cause of weakness in effective gross demand.

Consumption includes the following component parts: 1) Consumption of a general commodity nature; 2) water, electricity and gas consumption; 3) consumption of self-supplied products; and 4) consumption of services. Up to now there has been no evidence of an actual reduction in the consumption of the last three categories except that there was a rather large-scale drop in the first category, that is, according to the usual statistics on the gross volume of retail sales for consumer goods (omitting the factor of currency inflation). This is a phenomenon which has not happened since reform. People have come to notice the following two major factors: 1) sharp rises in interest rates, thus stimulating growth in savings; and 2) poor anticipated income, resulting in consumers switching to thrift. These two factors do play their role but the experiences of international societies have shown that interest rates do not play an exceptionally large role in consumption and savings, while poor anticipated income likewise did not clearly change the trend of

consumption. Besides, the gross volume of the residents' income did not show any decrease, just a slowing down of the rate of growth. The true role of these two factors is of a conflicting nature, that is, leading to an internal contradiction in residents' consumption by harboring an intent for long-term accumulation.

The structure of the consumption in China is imbalanced and sadly departs from the usual international standard. With per capita GNP being at a low level or a medium and low level, on the one hand, consumption of foodstuffs, clothing, articles of daily use and household electrical goods is too far advanced, and on the other hand consumption in respect of transportation, communications, education, culture, tourism and other items of a service nature is extremely backward. According to World Bank statistics, the daily average calorie intake for Chinese people is around 2700 kilojoules, equivalent to the average level of people in medium or low level countries (1988 per capita GNP of \$1,380) and not far from the level in Japan and Hong Kong in the initial period of the 1970's and that in South Korea and Singapore in the subsequent period of the 1970's. The average consumption volume for clothing, articles of daily use, and household electrical goods is near to, or even higher than the average level of medium-income countries where in the case of certain individual commodities (such as the popularity rate of color TV sets in cities and towns) the prevalent rate has reached the level of high-income countries (in 1990, in Lhasa, considered to be the most backward provincial capital city in the whole country, the popularity rate for color TV sets was 88 percent, surpassing national rate of France). As side-line references, we may mention that the average life expectancy of Chinese people, mortality rates of new-born babies and target weights for new-born babies are all close to those of developed countries and far surpass the average level of developing countries. However, on the transportation and communications side, China's per capita travelling rate is around 600 km a year whereas in India, a low-income country whose economic level is popularly acknowledged to be lower than China, the per capita travelling rate is well above 900 km a year. In China, resident families basically do not own motor cars and this is hardly comparable with medium-income countries or even low-income countries. On the side of telecommunications, every one hundred people in China have only 1.1 telephones which is a lower level than even Africa. In education, the enrollment rate in middle schools in China was 43 percent in 1987 but in countries of low or middle grade income the average has been 49 percent. China's enrollment rate in colleges and universities is 2 percent whereas in countries of low or middle grade income the usual average rate is 16 percent, and in India, as early as 1965, the rate was already 5 percent. Aside from this, another problem is that in China the divergence in consumption standards between urban and rural residents is very great and the order and arrangements in the organization of consumption are vastly different with the result that certain consumer goods, after filling the needs of urban residents, cannot

be diverted to rural areas. Naturally, consumption habits of residents and the special circumstances of people in different countries are related to such noneconomic factors as geography, climate, culture and tradition, but this kind of special formation or structure can hardly be explained by these noneconomic factors.

Such an abnormal consumption structure can hardly be maintained for long, and the contradictions eventually erupted at the time of the tightening policy in 1989. What is worthy of study is why, prior to this, it was possible to have this situation maintained for such a long time and why in 1988 there still appeared a great wave of commodity consumption on the part of consumers. In our opinion, the principal reasons were the followings: 1) both the state and enterprises offered too much for consumers' long-term consumption and in the case of basic consumer goods the state gave subsidies, in fact encouraging increases in consumption; 2) development of basic facilities and service departments has stagnated for a long time and relatively speaking, provision of services has been insufficient; 3) for many years in succession growth in consumer income has surpassed growth of the national income; 4) the lax direction of macroeconomic policy has led to currency inflation, caused fear on the part of consumers, who, attempting to protect the value of their money, proceeded to buy consumer goods ahead of need; 5) consumers lacked an understanding of the condition of the gross production volume of consumer goods and accustomed to the traditional purchase and precaution psychology did not have the experience to handle such turbulence in the market; and 6) social groups drastically increased their purchases and there was a serious state of public money being used to make purchases for private consumption, etc. After enforcement of economic improvement and rectification the above-mentioned factors were changed to varying degrees, but it was important that prices of consumer goods rose sharply, which on the one hand led to an extraordinary expansion in production and supply, and on the other hand, formed a strong bulwark against purchase fever. At the same time, large rise in interest rates for savings deposits opened up a new outlet for surplus income and as a result consumption demand rapidly dropped.

The second problem requiring clarification is why, after a directional change in policy, effective gross demand still did not react as anticipated, in contrast with the usual achievements of many past years.

Of the component parts of effective gross demand, from beginning to end, exports have maintained a brisk rising trend. In early 1990 after the relaxation of strict controls over purchases made by social groups, consumption by social groups likewise showed a strong rising trend, but in 1990 consumption of a commodity nature actually continued to fall and after deducting the price factor fixed assets investment also showed nearly no increase at all. Stagnation of these two large items laid the foundation for the continued weak condition of effective gross demand.

After two successive reductions in interest rates and the recovery of a rapid rise in residents' income (in 1990 the monetary income of urban residents actually increased by 7 percent, the net income of rural residents by 1.8 percent, and the extent of increases in urban residents' welfare benefits in non-monetary forms and income from subsidies was over 9 percent), residents' consumption of a commodity nature did not show any real increase. This fully explains the temporary and limited nature of the impact of interest rates and anticipated income on consumption. However, structural changes in income distribution further hindered the growth of ordinary consumption. First, during the second half of the 1980's, particularly over the last two years, the growth of peasants' income has begun to slow down, and become lower than that of urban residents, whereas in the first half of the 1980's it had vastly exceeded that of urban residents; secondly, residents' income in the whole society has further skewed toward the high-income grade. According to investigations, in 1990 of the newly increased amount of residents' savings deposits in banks, the main portion was derived from the high-income class, comprising about 20 percent of the population. These two changes could serve to reduce the growth of consumption of ordinary consumer goods. After the recovery of the normal consumption environment, contradictions in the structure will continue to play their basically restrictive role. The renewed stepping up of housing reform, propagation of reform of the welfare system, and other factors like the upward adjustment of the prices of certain consumer goods will further strengthen the residents' savings trend.

Regarding fixed assets investments, control over them was loosened early in the year, technical transformation was encouraged and, following this, the state ratified a proposed increase in loans for major construction projects and likewise ratified expanding the planned scale of investment, but unexpectedly there was still no substantial increase in fixed assets investment. In 1990, investment by the state-run economy showed a notable rise over the preceding year, whereas collective and individual investments which in preceding years had increased most rapidly, continued to slide downward. What indeed were the causes? Seen from the enterprises view, sales of products were generally depressed, the anticipated return on investment was not at all high, and as a result enterprises were unable to determine an investment direction which would be profitable, and those enterprises with large funds in hand all waited to see what would happen. In 1990, new deposits from enterprises amounted to 91.29 billion yuan, a feat not seen in recent years. Seen from an individual's position, investments of a productive nature and business nature have both been affected by the fall in anticipated returns and at the same time residence building on the part of urban and rural people was in a special stage of conversion from quantitative expansion to quality improvement, a result of which was that the gross scale of investment could not be very much enlarged. From the government position, despite the knowledge that the

prospects were good for the transportation, communications, water conservancy, energy and raw materials industries, yet there was difficulty in raising funds, and besides, for the time being the original measures and methods could not allow any excessive increases in investment in these departments. Moreover, the possibility of a revival of investment inflation ultimately leading to currency inflation must be kept in mind.

The third problem that needs clarification is that under conditions of gross demand being so weak, why did the economy still maintain growth at a medium or low rate, and why for two years in succession a newly increased level of reserves equivalent to around 9 percent of the GNP could still be maintained?

The precondition for maintaining such a state of affairs in economic operations is: there must be an input of a large amount of circulating funds. Although the self-accumulated funds of the state and enterprises have been extremely limited, residents' savings have ceaselessly provided large amounts of funds. At present, of the sources of bank funds, around 70 percent are derived from residents' savings. At the same time, the banks have made use of an extremely large proportion of these funds to serve as loans to enterprises (in 1990, 76 percent of the banks' new loans consisted of circulating fund loans to enterprises). This has enabled enterprises, under conditions of a continuous reduction in income from sales, to continue to organize production. Similarly, despite aggravation of the state's financial deficits and the increase in the budget deficit, that currency inflation did not appear was due to relative laxity in the financial market. Such conditions of financial stringency, with the state owing the banks large amounts of funds and even increasing its loans and overdrafts from the banks, has not caused an excessive issuance of banknotes and the commodity price level has essentially not risen.

In short, the present economic operation mechanism consists of a special cycle formed by special conditions. As a result of the division of national income continuing to slide toward the individual, residents' income occupies a level of nearly 80 percent of GNP; and on account of the consumption structure and the fall in the proportion of residents' income used on current consumption, as well as the constantly rising savings ratio means that 68 percent of the whole society's gross savings consist of residents' savings. The banks are not willing to use the savings deposits absorbed by means of high interest rates to lend to basic departments at low interest rates for fixed assets investments. Nor are they willing to loan circulating funds to enterprises whose product sales have suffered from stagnation. Rather, they loan out the funds to enterprises whose circulating funds can turn over at a rapid rate. Yet the government, based on considerations of maintaining growth in production and preventing social unrest caused by the bankruptcy of enterprises, has brought pressure to bear on the banks, forcing them to meet the demands of nearly all enterprises seeking loans for circulating funds. Meanwhile, increases in fiscal expenditures are more rapid than the increase in

fiscal revenues and in reality the gap is filled by funds from the banks. On the part of the enterprises, after obtaining the bank loans they proceed to purchase raw materials, pay salaries, wages and bonuses to the staff members and workers, and organize production. Although a large portion of their products cannot be sold, the successive course of distribution will increase individuals' incomes, a considerably large part of which (averaging around 26 percent in 1990) will be converted into savings by the individuals. Thus, this will replenish the source of funds to serve as new circulating funds.

From the analysis of the above-mentioned three problems, it can be generally seen that the basic stature of the current national economy is: imbalance in the structure has led to the problem of the gross volume, of insufficiency in effective demand; residents' income has grown too rapidly but there has been a continuous strengthening of residents' tendency to save resulting in the accumulation of a large amount of funds; long-term investments urgently needed by enterprises for development have fallen into a state of dilemma in raising funds, while residents' savings have largely returned to "long-term" departments in the form of circulating fund loans and thereby generated more treasury balances.

Deep-Going Contradictions, Three Lines of Thought

In transforming the malignant cycle of the current national economy, it is definitely necessary to increase effective demand and set the market for end products in motion. This is the supposition of the first line of thought. However, if readjustment of the structure is not considered and assuming that success can be obtained through adoption of various measures such as offering preferential terms to encourage residents to buy more consumer goods, further relaxing government expenditures and social groups' consumption or expanding the investment scope, market weakness may be eased and growth rates may recover but due to the innate contradictions not having been solved, the economy, after quickening for a while, will again fall into a deeper trough. On the other hand, this temporary prosperity is possible only under the precondition of an "assumption," because actual practice since last year has shown that it has not been easy to encourage residents to increase their consumption of commodities while enlarging the planned scale of investment lacks the support of funds (a difficulty under the framework of the current structure) and cannot really increase investment. From this it can be seen that the first line of thought is not workable.

The second line of thought advocates readjustment of the structure and correspondingly demands deepening reform of the system but does not advocate restoration of a higher growth rate. These two sides are opposed to each other. The reasons are: Firstly, the current problem of the structure is an imbalance in the structure of basic industries. Concretely speaking, the development of such basic facilities as transportation, communications and water conservancy has been seriously stagnating, the

energy and raw materials industries are relatively backward and the development of various kinds of services is insufficient. To develop these industries, the principal road is to increase a large amount of new investment in these departments and to depend on them to readjust their current capacity to expand production capability is a remote possibility. This is because in the case of enterprises turning out light industrial products, no matter how they are readjusted, their existing assets cannot be converted to communications, transport, energy and raw materials while the "short-line" departments are in a state of their equipment being in excess operation and unable to offer much hidden potentials. To increase investment in readjusting the structure will play a "multiplier" role vis-a-vis the national economy, naturally enlarge the scope of economic activities and naturally the growth rate will reach a higher level. Second, with the investment scale and growth speed being depressed, what can be readjusted is the product structure, and in this connection much progress has been made in the last two years. If reform can proceed a little faster it may be possible to readjust the organizational structure of the enterprise, although it is difficult to effect any great change in the framework of the original basic industrial structure. On the contrary, when readjusting the basic industrial structure through investment, the product structure and the enterprise's organizational structure can also be similarly readjusted. Third, without maintaining a relatively high growth speed, wastage may ensue in the sense of resources laying idle while both receipts and savings may be much smaller than within the realm of possibility and the amount of funds available for use may be correspondingly reduced. All this may cause large losses which should not occurred. Fourth, at present there are two major causes of the so-called poor "effects" (usually referring to the gross volume of profit or tax): 1) Insufficient effective demand difficulty in marketing products thus bringing about a fall in profits and tax; and 2) a rise in and near loss of control over the cost of production in the form of salaries and wages (including welfare expenditures for the staff) eating away a large amount of the profit and tax and even threatening inroads into the depreciation fund. Regarding the solution of the latter problem, aside from setting up a restrictive mechanism over property rights and a finance and taxation system of stringent character or standard, there is no other available method while as for solution of the former problem it will be necessary to change the current condition of market weakness. Based on the above, we believe that the second line of thought it also not workable.

That the third line of thought is relatively more active on both sides is based on the following observations: 1) reform of more than 10 years' standing has achieved historic accomplishments and in China the problems of shortages in ordinary consumer goods and of the self-serving stance of heavy industries which have baffled the economies of socialist countries for a long time have been eased; 2) for many years in succession residents' income has rapidly increased and their standard of living

has been greatly improved; 3) the high savings rate has furnished a large amount of funds and in the last two years domestic gross savings (difference emerging after deducting gross consumption from GNP) amounted to as much as 600 billion yuan each year, while due to insufficient fixed assets investment year around some 150 billion have been added to the social treasury balance each year; and 4) the closed-door economy has been initially converted into an open-door economy, the international balance of payments situation has turned for the better, the position of exports and foreign exchange reserves has been obviously improved, the disparity rate between the official foreign exchange rate and the market foreign exchange rate has been reduced, and in general there has been a continued increase in the inflow of foreign capital. These factors have frequently been under-estimated. If a correct policy direction and an adequate reform strategy can be fixed, China can fully utilize the opportunities offered by these factors to realize the transformation and rapid growth of the structure of the national economy.

At present both finance and enterprise have difficulties and there appears to be no way to increase investment and to set the economy in motion. As a result, finance has demanded increases in taxes and in levies, whereas enterprises have asked for tax reductions and more ceding of interests. Both of these suppositions are unrealistic. People have frequently not noticed that the gross volume of income has not been reduced, but has increased yearly, that by far the largest portion has flowed into individuals' hands, that savings of individuals have been rather high and that therefore these are funds that can be utilized. On the other hand, to convert savings into investment it is necessary to adopt a series of new measures. Concurrent with restoring the economy's normal circulation, it is necessary to grasp reforming the system of financial expenditures and of enterprise structure. Not to do so, with finance and enterprises remaining as the two "loopholes," whatever the increase in receipts will be subsequently converted into individuals' income by means of subsidy, welfare, bonuses and outlay of goods in kind. In short, both of these sides must be combined in progress and deficiencies in either one will not do.

The third line of thought insists that to achieve the objective it is necessary to integrate readjustment of macroeconomic policy with reform of the structure, but only if the policy of generally expanding effective demand is adopted without concurrently pushing forward reform, then twice the effort will be required for success and in fact damage and harm may result in lieu of benefit. The reason lies in that the deep-lying sources of the current problem of structure and gross volume difficulties are found in the changing resources-allocation mechanism. The formation of this resources allocation mechanism is determined by China's special economic structure and the form of the progress of reform. It causes certain industries to be super-advanced and certain industries to be overly backward. Aside from

the structural causes on the sides of income distribution and consumption as mentioned previously (such as the subsidy applicable to basic consumer goods, the system of the state and enterprises taking care of staff's housing, medicare and old-age insurance, and so forth), more extensive causes are found on the sides of production and supply. Generally speaking, industries which are relatively advanced in production and consumption possess the following special features in their structure: 1) basically free and open in their price structure, hence the price level of their products is relatively high and thereby they can obtain from the market a rather large portion of their funds and material resources; moreover, with governments at various levels generally seeking financial receipts and large target for employment, this helps enterprises to expand all the more; 2) flexibility in the enterprises' organizational form, with a large mixture of constituents of different forms of ownership system; for example, in the light industry sector, the non state-owned economy occupies more than 50 percent which stimulates strong competition, fast development of products and fast growth in production volume; and 3) rather loose direct control over the enterprises' foreign economic relations, a large share of sales made up of exports, and the ability to attract and introduce large amounts of foreign direct investment as well as advanced technology and management know how. On the contrary, industries suffering from a backward state in production and consumption possess exactly the opposite features in their structure.

Undoubtedly, solution of the problem of structure does not call for simply unifying the structures of the various industries into one single form. Different industries have their different material and technical features and their different forms of economic operation; differences in their individual structures cannot and should not be eliminated. Our objectives are: various kinds of industries essential to the national income must have a normal price and taxation environment enabling them to exist and develop, various industries must have external pressure and internal motivating forces, various industries must all equally have a channel to raise investment funds; and various industries must all be able to obtain from international transactions advanced technology and management experience.

The practical contents of the third line of thought may be mentioned as follows:

1. Readjusting policies on interest rates and credit and loans, and changing the major points and forms of control over fixed assets investments so as to encourage long-term construction investments from the "short-line" departments, restrict the demand for short-term circulating funds from the "long-term" departments, sternly control the fixed assets investments of "long-line" departments and other minor projects of a non-economic scale, and, on the precondition of speeding up the development of basic facilities, expand the scale of fixed assets investments, and greatly lower the growth rate of liquid asset investments.

2. Expanding propagation and mobilization movements and call for reform of the social welfare and insurance system, earnestly stepping up procedure and progress of reform of the housing, medicare, and old-age insurance systems and setting up and perfecting an unemployment insurance system. All these help in stabilizing and augmenting the residents' savings intent. Encourage in various forms social consumption (education, science, technology, culture and so forth). It is necessary, based on different conditions wherever possible, to have residents and enterprises increase this category of outlay and take this as the principal factor, but take the increase of such expenses by finance as the supplementary factor. For example, in the colleges, middle schools and specialized institutes increase the enrollment of students who pay their own tuition and keep the state from spending too much money in this connection. Regarding the general body of residents' consumption, adopt a middle-line policy in which we should encourage certain consumption of a service nature and discourage certain consumption of a commodity nature.

3. Implementing reform of the currency structure and financial structure by taking the central solution of conversion of savings deposit funds into effective fixed assets investments. In the case of residents withdrawing their fixed deposits before due time, remove the privilege they enjoy of drawing the interest rate for the fixed period; increase the issuance scale of the state's long-term construction bonds, particularly bonds of enterprises in basic industries and, in a planned manner, push these bonds onto the secondary market; reduce financial capital construction appropriations and loans, and increase financial discount funds; the state comprehensively arranges for the raising of funds for the insurance sinking funds and funds, dictated by economic needs, for support of long-term investment projects of basic departments; gradually form a relatively differentiated pattern between fund-investing and fund-merging systems of a policy nature and nonpolicy nature; and the use of various kinds of financial devices and various kinds of organizations to mobilize social savings to be more directly converted into the short-term departments.

4. Speeding up steps on price reform and in principle decontrol all consumer goods prices fixed by the state (including fixed quantification of grain and edible oils prices in cities and towns); incorporating onto the market track the prices of such raw materials as cement, timber, metals and petrochemicals, and regarding the portion under the state's unified allocation adopting the transitional form of priority in order placement so as to avoid too much confusion, and charging unified market prices while, for the sake of safety and stability with the state reserving the right to supervise market prices for raw materials; on coal and petroleum prices, adopt such steps as liquidating intermediate or middle-man stages, with the state designating anew specially approved organs to handle purchases and sales, unifying prices, fixing the price ceiling and sternly and strictly enforcing

supervision; liquidating power charges and transportation fees and with the state fixing new prices and making a unified price readjustment.

5. Undertaking all-round reform with state enterprises as the major point, developing clarification of ownership rights, rebuilding the realized form of the public ownership system and establishing an enterprise restriction mechanism. First, regarding state medium and small enterprises engaging in general industry and commerce or in the service trade, adopt the form of auctioning them in separate periods and lots to large and medium state enterprises, collective enterprises and enterprises of the three capital sources and even individuals while, for the sake of ensuring that the state's assets will not be reduced, income from the auctions must all be incorporated uniformly into the state's capital construction funds for conversion into other forms of fixed assets. Second, in the case of large and medium state enterprises not belonging to the category of important industries with basic facilities, subject them to the reform measure of converting them in separate periods and separate batches, into share-holding companies and transfer a portion of the shares to social insurance organs (considered as insurance accumulations of aged workers), a portion of the shares to be reciprocally exchanged between the enterprises (to be determined by the ratio occupied by the investments made from the enterprise's profit retentions over the past 10 years in fixed assets), and a portion to be sold to society with the receipts entered into the state's capital construction funds. Third, as for large and medium enterprises in basic industries such as communications, transportation, energy, water conservancy and so forth, the form of state ownership should be retained but the principle of separating government from enterprise functions must be adhered to. The objectives of the state's special control organs and their policies are to encourage the enterprises in these industries to compete with each other, harden the state's budgetary control and supervision over their operations, and prevent them from utilizing their monopoly status to damage the collective interest of the national economy.

6. Continuing to deepen reform of the foreign trade structure, and maintaining the good standing and trend of commodity and service exports. Continue the large introduction of foreign capital but when utilizing foreign capital to develop basic industries, we should strive to the utmost to reduce purchases of foreign equipment that can be domestically produced. For example, the domestic manufacturing level of power generation equipment is substantially high but the production capacity has been seriously idle. Yet at present in the building of new power stations around half of the equipment is still being imported. The reason for this is that foreign loans have been used in the building of many power stations and one of the conditions of the loans is that the equipment must be purchased from abroad. It is thus necessary to readjust the structure of foreign debt and in certain respects resort should be made to increasing the proportion of funds raised internally.

Introduction and importation of equipment and materials should be concentrated in the high-technology sector in which China does not possess the manufacturing capability, and when using other people's ability we should also display our own capabilities. Only by so doing can we open the road to resurrecting heavy industry which in recent years has been on a low ebb of progress.

Risky Nature of Third Line of Thought

Despite that we have previously listed the advantageous factors in support of the third line of thought, it is feared that still there are many people who have serious doubts about its workability (particularly the possible risks involved). Hence, it is necessary to specially analyze the possible risks or troubles that may be involved.

First, will it lead to currency inflation?

It cannot be denied that in a realistic economy there exist factors causing currency inflation. They are principally: 1) Difficulty in controlling expenditure on salaries and wages, continuous rises in the cost of production, and enterprises' strong wishes to raise the prices of their products; 2) the macroeconomic adjustment and control system is being still imperfect and at the same time the existence of the possibility of erroneous policymaking leading to an expansion in the volume of effective demand; 3) seen in the long run, the shortage of agricultural products and mining products will continue to grow, their prices tend to rise, and the processing industry will try its utmost to transfer these factors outward, particularly when conditions of market competition are not well developed. In addition, agricultural products still have problems from good or poor harvests, and in years of poor harvest, prices will rise.

But contrary factors similarly exist: 1) A large increase in the volume of ordinary consumer goods, under the current residents' consumption structure has reached a stable stage, consumption demand has become normal, all of which can curtail the forces pushing the cost of production and prices cannot rise on a large scale. 2) At the present moment, large amounts of production forces have laid idle and besides, large quantities are in storage or stockpiled; and even though effective demand may rapidly expand, it will take a long time to fully consume newly increased stores or stockpiles (over 300 billion yuan). And prior to this, there was still much ground left for maneuvering macroeconomic adjustment and regulation; 3) Investment expansion is limited to the volume of gross savings and if in the course of development the fixed assets investment rate (currently around 26 percent) is kept, from beginning to end, lower than the gross savings rate (at present around 35 percent), then it will not lead to a situation of "undertaking construction through the issuance of banknotes." Due to the multiplier effect of investment, when the fixed assets investment rate rises to a certain stage, the savings rate will fall and hence keeping the investment rate at around 30 percent is possibly adequate. At present, the source

structure of savings has increasingly slanted toward individuals which have increasingly slanted toward the high-income class and therefore savings are more stable than before. In addition, in order to maintain the balance between investment and savings, it is preferable to resort more to the issuance of bonds, stocks and shares in raising funds. 4) A great proportion of the force of the chain reaction from reform and readjustment of the price structure has already been liberated. For example, in name, the state's power of fixing the prices of the means of production has been retained, but in fact a rather substantial portion of the end-use price has reached or become close to the market level. A survey of prices of means of production in 17 cities and towns has shown that only around 28 percent of the value of products truly adhered to prices fixed by the state. As for the conversion of secret subsidy to open subsidy on the prices of basic consumer goods, although statistically it may lead to a rise in the retail price index, it is not a phenomenon of currency inflation in any sense. Experience has shown that only products under fixed prices can most easily lead to crash buying and in the end cause large-scale price rises. After a great proportion of prices have been decontrolled crash buying cannot easily arise and a sharp rise in prices cannot easily appear. 5) Concern over the so-called spiral reaction of "wages against commodity prices" is also unnecessary. This is because calling for the granting of subsidy (equivalent to salary and wage increase) because of price rises, such as grain and edible oils reform, housing reform and so forth, causes no real increase in the income of the staff member or worker; it only changes the form of obtaining the income and there is little possibility of the outlay changing its direction. All along the individual's income has speedily risen. Over the past decade, the growth rate has surpassed not only economic growth but also the rise in commodity prices. Generally speaking, profit retentions of state enterprises have been wholly transformed into bonuses and welfare expenses, and at the moment depreciation funds are being encroached upon. But the main factor pushing expansion of individual income is by no means the rise in commodity prices. If this "spiralling" were possible, it would have been actuated earlier. From now on, if only the state can refrain from encouraging the policy of currency inflation (such as increasing the issuance of banknotes to expand governmental outlays and investment scope), it will not be possible to fall into this sort of "spiral."

In short, if we can earnestly sum up the experiences and lessons of past years and cautiously carry out measures in macroeconomic adjustment and control, currency inflation will not reach a serious degree. Even though the price index has risen rather rapidly because of such factors as price reform, so long as its rise is kept within the one-digit figure, no really serious economic and social problem can arise.

Second, will a serious confusion in economic order be caused and will there be disruption to normal economic operations?

Before putting on stage measures of policy readjustment and reform of structure, it is necessary to carefully analyze the possible effects they may bring along, earnestly study the coordination and connection relations between the various measures, watch opportunities and strategy, fully consider the necessity of a transition, and push forward according to order. Theoretically speaking, scarce resources and products do not necessarily need price control or administrative unified allocation but when removing these direct controls, we actually face the problem of difficulty in effecting a smooth conversion because the new mechanism requires a new system and structure, and hence it is necessary to set up a new system and cultivate a new structure. Luckily the past 10 years of reform have prepared a good foundation for us. There will be no special difficulties in proceeding with this. Price reform still has to rely on liquidating and reducing intermediate stages and removing the man-made hindrances. This will greatly improve, not worsen, the economic order. Currency reform measures can provide residents with even more savings tactics, and this is beneficial to the rational flow of funds and can hence stabilize savings and augment currency control. Enterprise reform clarifies ownership rights relations and can basically improve enterprises' conduct, behavior, and the entire economic order. Under conditions of brisk development of the economy and with the coordinated development of reform of the welfare and insurance systems, changes in the belonging or subordination relations of enterprises' ownership rights will not lead to a deterioration in the employment conditions of labor. In short, the principal object of the current stage of reform is to develop and perfect a new order in the commodity economy and no longer takes breaking the old order of the traditional structure as the major point. The risks in this connection are much smaller than before.

Third, can the various principal economic bodies stand the corresponding interest readjustments?

Putting prices in order, converting enterprises' mechanisms, developing the financial market and readjusting the industrial structure will all affect the pattern of interests already owned in varying degrees. Not to do so will miss the objective. But since this is interest readjustment there will be both gains and losses. The same interested body may lose in one respect but gain in another respect. The object of reform is to smooth out and convert the mechanism and is not for the sake of readjusting the interest distribution pattern. Hence the basic principle is: The proper interests of the various interest principal bodies should not be damaged and, besides, on the precondition of without affecting the main target of reform, utmost consideration should be given to interests already earned and formed historically to the end that their absolute quantity will not be reduced. When treating the readjustment of interest relations between the state, enterprises and staff members and workers, if it is desired to increase the proportion of the state's financial receipts then we should work

on increasing the volume, that is, making the growth of the state's financial receipts faster and the income growth of enterprises and staff members and workers slower, and there should be no absolute reduction of the income level of the latter two parties. When touching on readjusting interest relations between departments, if it is desired to raise the prices and profit rate of one department, then it is necessary to correspondingly reduce the concerned department's tax burden and not let the others incur losses. For example, when raising the crude oil price, it is necessary at the same step to lower the tax burden on the petrochemical industry. When readjusting the interest relations between the state, enterprise, residents and staff members and workers, the already earned interests of the majority of residents and staff members and workers will be protected. For example, in reforming prices of grain and edible oils, housing reform, and the conversion of secret subsidy to open subsidy, only a minority portion of the people should be forced to give up the subsidy benefits which originally they should not have enjoyed. In connection with readjustment of the interest relations between the central government and the local governments, it is necessary to correspondingly readjust the responsibilities they hold respectively, and there must also be assurances that effects on localities will not be too heavy. Seen from all these, readjustment of interest relations will not cause drastic undulations or cause instability to the whole situation. In particular, since reform has been in progress over 10 years, the whys and wherefores have been understood by each and every household, society has reached an extensive understanding, the populace has gone through various forms of steeling and the intellectuals and young students can understand all the more and support all the reform measures. If we can only mobilize extensive propagation on various sides, the various kinds of gains or losses can all be acceptable.

Nevertheless, we should understand that in this complicated procedure there exists the possibility of breeding of errors and confusion and indeed we cannot say that there are no risks at all. However, if we do not proceed in this manner, would all be safe and even? Without going deep into an analysis, we can readily reach the conclusion that the most risky option is to allow the current stagnant state to stay put.

Finally, it should be explained that the analytical comparison of the above-mentioned three lines of thought has been carried out on a logically demarcated basis. Actually we may possibly adopt, consciously or unconsciously, a counter-measure or guideline which looks like the third line of thought but really takes the first line of thought as the basis. This is that readjustment of the structure, and reform of the system will make certain progress but will fall far short of the possible scale and speed, and that effective demand may at one time continue to be weak and at another time be over-expanded anew. On the foundation laid by 10 years' reform and opening to the outside world, for certain years from now on the national economy to spontaneously maintain a medium-low growth speed will perhaps

not be difficult. But if it is impossible to adopt effective counter-measures then current industries supported by state enterprises either singly or in their capacity as main bodies, will continue to shrink (since 1985, the proportion of total output occupied by state-run industry has shrunk on average by over two percent annually), basic facilities and high-technology industries will not grow any more and China's economy will lose an opportunity of originally realizing a high growth rate. For all this China will have to pay a heavy price.

PROVINCIAL

Ningbo Developing Into Major Port

91CE0604A Hong Kong CHING-CHI TAO-PAO
[ECONOMIC REPORTER] in Chinese No 21,
27 May 91 p 28

[Article by Sheng Meilan: "Utilizing Fine Port Resources To Support the Development of Pudong in Shanghai"]

[Text] Ningbo Port, located at the center of the Chinese coastline and on the southern side of the Hangzhou Bay overlooking the Zhoushan Archipelago, is one of four major deep-water transfer ports prioritized for development and construction in China. Recently the Governor of Zhejiang Province proposed building Ningbo Port into a comprehensive, multi-functional, large and modernized international transfer port that will mainly engage in international transfer while developing export processing, flexible trade and the service industry. The port will take up the work of diversion and transfer of bulky materials from Shanghai Port in line with the new situation of Pudong development. The ways of cooperation are now being explored.

Container Berths at Beilun Port Will Be Operational Soon

A few days ago the deputy mayor of Ningbo City Chen Zheliang told reporters that Ningbo's economic construction in the next 10 years will focus on developing port construction, the second and third phases of the Beilun Port project, and commence the fourth phase. When the deep-water coastline of Beilun Port is fully developed and used, it is possible to build 50 deep-water berths of more than 10,000 tonnage with a traffic capacity between 70 million to 100 million tonnage.

Beilun Port is located on the southern bank of the Jintang Waterway at the mouth of the Hangzhou Bay. The Zhoushan Archipelago in the east, north and west provides a natural defense which makes Beilun Port an ideal natural deep-water port. Presently Beilun Port has completed the construction of nine berths of 5,000 to 150,000 tonnage, of which there is a berth of 100,000 tonnage exclusively to be used for bulk cargo, and a crude oil dock of 150,000 tonnage, the largest of its kind that has ever been put into operation in China. In the second phase of the Beilun Port project, six berths of more than 35,000 tonnage are now under construction,

of which the international third and fourth generations of container berths with 30,000 to 50,000 tonnage will soon be completed and put into operation.

At present the Beilun Port District is gradually developing functions for Ningbo's economic development and outward-oriented economic development of the coastal areas, serving the transportation for domestic and external trade in Zhejiang Province and along the Zhejiang-Jiangxi and Hangzhou-Xuanhuao Railways, serving the transportation for the diversion of bulk cargo from the Shanghai Economic Zone and in areas along the middle and lower reaches of the Yangtze River, and serving the development of the transportation for the diversion of oceangoing containers from Europe and America.

Developing Beilun Industrial Zone Into the Pudong of Zhejiang

Ningbo plans to develop Beilun Industrial Zone into the Pudong of Zhejiang. Beilun Port Industrial Zone is located in the northeast part of Ningbo City, 21 kilometers from the Ningbo metropolitan area, the total area is 70 square kilometers. Foreign-funded enterprises in and out of the industrial zone are eligible for all preferential treatment available.

The investment environment in the industrial zone is broad. At present, in addition to port facilities, the Xiao-Yong railway goes straight to the Beilun Port industrial zone. The Beilun Power Plant with a total installed capacity of 2.4 million kw is under construction and the first unit of 600,000 kw is already generating power; 7,000 program controlled telephone sets have been put into use. Good conditions exist in the industrial zone for the construction of such necessary facilities as port warehouses and storage sites, and is an ideal area for the development of such large coastal industries as iron and steel, petrochemicals, power, and construction materials and for large-scale land development.

Chen Zheliang said that the municipal government will actively use foreign capital to build the zone into an energy and raw materials base for the province and into an important "window" for external trade. The plan is to build the zone into the "Pudong of Zhejiang" in 10 years.

Currently the industrial zone is actively using foreign capital to construct large projects. It is reported that the Zhengda Group of Thailand has invested 100 million yuan in the industrial zone to build an assembly project of feed, chicken farm, processing, and a cement production project with an annual output of 690,000 tons. The U.S. Dao Chemical Company has set up a joint venture to develop a large chemical industry project for a total investment of \$51.35 million. In addition, negotiations are underway for a petrochemical project with the Guochen Group of Thailand which is planning to invest \$3.5 billion and for a Sino-Thai joint venture to extract oil.

Projects To Be Imported in the Development Zone in the Short-Term

During the interview, we visited the Ningbo Economic and Technology Development Zone. It is located in the northeast part of Ningbo's old town, a small port area on the southeast side of Yongjiang River's sea entrance, 18 kilometers from the center of the city. The planned development area is 5.44 square kilometers.

Ningbo Economic and Technology Development Zone was established in the middle of 1985. After the five-year construction, the investment environment in the zone is increasingly being perfected. By the end of last year the accumulation of funds invested in infrastructure was about 270 million RMB. The first phase of the infrastructure project in the development zone is already completed. Within the zone there is a crisscross network of roads that links every part of the zone. The power transmission and transformation project of 110,000 volts is in operation and a self-provided heat and power plant is nearly completed and will be ready for use soon; 2,000 program controlled telephone sets can be directly dialed out to every part of China and 182 foreign countries and regions. The first phase of a tap water project with a daily supply of 30,000 tons is completed and beginning to supply water. A sewage treatment plant that disposes 40,000 tons of sewage daily is also operating. In addition, a group of factory buildings, residential buildings, guest houses, shopping centers, hospitals, and warehouses have been built in the zone with a total construction area of 313,900 square meters.

The deputy director of the Ningbo Economic and Technology Development Zone Ye Xihong said that the development zone provides a variety of preferential policies to investors. For any productive project under \$30 million, the whole process from registration to examination and approval of the contract can all be done in the zone. The registration application is to be processed in seven days, and the contract within two weeks. Several banks, customs, insurance companies and foreign exchange regulation bureau have set up branches in the zone.

Ye Xihong said that the development zone focuses on the development of sino-foreign joint ventures, cooperatives, and solely owned foreign enterprises that are technology-intensive, fund-raising and export-oriented in order to develop foreign economic and technical cooperation, and import advanced technical and scientific management. In the short term the key items to be imported are energy, new materials and their applications, bio-engineering and medical products, electronics industry, machinery and electrical products, laser technology applications and fiberoptic communication equipment. Currently the zone has approved 147 projects for a total investment of \$440.73 million; 113 contracts have been signed for a total investment of \$232.84 million. Contracts used \$111.48 million of foreign capital, accounting for 59 percent of total investments. Foreign investments come from more than 10

countries and regions including the U.S., Japan, U.K., France, Liberia, Hong Kong, Taiwan, and the United Arab Emirates. At present, there are 64 enterprises in operation for a total investment of \$81.06 million, \$29.53 million of foreign capital was used. Of the sino-foreign joint ventures that are already operating, 80 percent have made profits, and 20 percent have incurred losses. Contracts have already been signed for 90 industrial projects for a total investment of \$200 million, which will be operating this year and next.

Ye Xihong said that it will take 10 years to complete the construction of the entire development zone. It is planned to develop about 200 industrial enterprises, to create an investment environment that has complete infrastructure facilities, necessary services, a business norm that follows international practice, and build a new and modernized industrial zone in Ningbo City. By the end of this century, the zone will have reached an annual industrial output of over 2 billion yuan, earned more than \$200 million in foreign exchange from exports, and become the export and foreign exchange earning base of Ningbo City.

Shandong Establishes More Foreign-Funded Enterprises

OW0908004591 Beijing XINHUA in English
0009 GMT 9 Aug 91

[Text] Beijing, August 9 (XINHUA)—The number of foreign-funded enterprises in Yantai City, in East China's Shandong Province, has so far reached more than 310, accounting for 25 percent of the total in the province, according to the Shanghai-based LIBERATION DAILY.

The total investment comes to 270 million U.S. dollars.

According to local statistics, in the first half of this year the city earned about 34.22 million U.S. dollars from exports, a 153 percent increase over the same period last year.

In order to attract more foreign investors the city has invested three billion yuan in the past few years in the construction of basic facilities in its economic and technological development zones, and in the construction of communications, telecommunications and power, the paper reported.

INDUSTRY

Analysis of Soft Market for Electronic Products

91CE0670A Beijing ZHONGGUO JIDIAN BAO
in Chinese 29 Jun 91 p 3

[Article by Sun Yudan (1327 3768 0030): "Analysis of Soft Market for Electronic Products"]

[Text] With both sales revenues (42.048 billion yuan between January and April, up 26.39 percent over the

same period last year) and completed output value (55.781 billion yuan, an increase of 13.62 percent over the same period a year ago) up, the electronic industry is currently in better shape than the same period a year ago. However, inventories reached a high 26.5 billion yuan by April, about 17 percent of last year's total output value. Right now the domestic market for electronic products remains soft, as demonstrated most strikingly by the lack of work in all enterprises. According to statistics at the end of April, production tasks for the whole year are only 70 percent. Some enterprises have even suspended operations for lack of work.

1. Why the Market for Electronic Products Is Soft

1) A drop in state investment in capital construction and the failure of self-raised funds to materialize. Investment totals 500 billion yuan for 1991. Included in this number are interest on loans during construction, changes in exchange rates, price increases, and 30 percent of the working capital that a capital construction project or technical transformation project requires after it goes into production. In real terms, therefore, investment in fixed assets is much smaller than 500 billion yuan. Moreover, only 190 billion yuan of the 500 billion yuan comes from the state in the form of grants or loans. The rest must be raised on one's own, of which a good portion fails to materialize.

2) Protectionism and local separatism. In the past few years machinery enterprises affiliated to the various central ministries and commissions as well as township and town enterprises have developed rapidly. With their considerable production capacity, these plants are now making whole sets of equipment and, protected by their departments, have been enjoying rapid growth. As a result, the existing production capacity of the mechanical industry has not been fully utilized.

3) China is still importing electronic products in large quantities. Right now there are 97 units authorized to review and approve import applications. Owing to this kind of multi-channel import review and approval system, the import of electronic products has gotten out of hand. Each year as much as \$20 billion worth of electronic products are imported. During the Sixth and Seventh Five-Year plans, for instance, large-scale transformers were imported to the tune of 66.32 million kilowatt-ampere-hours, of which over 500,000 imported 37.74 million kilowatt-ampere-hours. Most of them have been held back to the Eighth Five-Year Plan. Because of these imports, equivalent to the nation's production capacity for half a year, some production enterprises in the nation do not have enough work to keep them in operation.

4) A decline in exports has contributed to market softness. Between January and February exports edged up much more slowly than during the same period a year ago. One reason is the abolition of export subsidies and the failure to implement a number of export policies, which has dampened the enthusiasm of enterprises to

export. But the main reason is instability on the international market. For example, bearing exports consistently did well in the past. Last February, however, bearing exports were off 16.4 percent compared to the same month last year. So now there is a four-month supply of bearings sitting in the warehouses.

5) The domestic market has been hit hard by illegal imports, which are tariff-free, low-priced, and highly profitable. Moreover, units which handle illegal imports need not offer after-sale services, which only heightens their interest in this line of business. Illegal imports have dealt a heavy blow to the domestic market for electronic products.

2. Measures To Revitalize the Electronic Products Market

Since the softness of the electronic products market is mainly caused by the above-mentioned conditions, we should take the following steps to revitalize it: 1) In calculating state investment, items like interest on loans during the construction period, changes in exchange rates, price increases, and the 30 percent start-up working capital that a project requires after it goes into production should be excluded and considered separately from the 500 billion yuan of state investment. The departments concerned should help the construction units secure the funds raised on their own; 2) The management of the industry is currently weak and ineffective. The industry should be given effective powers so that it is in a position to limit and prohibit low-standard production overlap and make the most of the existing production capacity of the industry; 3) The state should take effective measures to shake up and control departments that review and approve import applications. Departments and localities not equipped to handle such applications should not be given the power to do so. 4) Implement national policies aimed at encouraging exports by giving enterprises preferential treatment. Unleash the enthusiasm of enterprises to export; 5) Protect national industries. It is proposed that the state look out for the interests of industries battered by illegal imports and take effective measures to keep out such imports; and 6) Make large-scale preparations for electronic products.

New Technological Development Zone in Lanzhou

OW0408004491 Beijing XINHUA in English
0017 GMT 4 Aug 91

[Text] Lanzhou, August 4 (XINHUA)—The construction of basic facilities in a new hi-tech development zone has started in Ningwo Village near Lanzhou, capital of northwest China's Gansu Province.

Covering a total area of eight sq km, the zone, located in the northeast suburbs of Lanzhou City, has a number of scientific research institutes and universities.

In the first stage, the local authorities plan to build communication and office buildings with sophisticated equipment, a hi-tech products exchange center and a production center.

With a loan of 150 million yuan from the province's construction bank, the basic facilities projects cover water, power, transportation, communications and land levelling.

The zone, set up in 1988, now has 66 hi-tech and new-tech production enterprises.

Foreign Technology Introduced to Steel Industry

OW0508014891 Beijing XINHUA in English
0045 GMT 5 Aug 91

[Text] Beijing, August 5 (XINHUA)—China's Ministry of Metallurgical Industry will continue to absorb advanced foreign technology and equipment in the next ten years, while preserving in self-reliance.

According to the latest issue of the BEIJING REVIEW, a number of steel industrial enterprises will update their technology to the standards of developed countries in the 1980s and improve the quality of a large quantity of products to the advanced level of similar foreign commodities.

Over the past ten years, China developed the steel industry, targeting advanced international technology and introduced over 650 items of advanced foreign technology and equipment. After the renovation and expansion of the existing steel enterprises, the output has been raised for a number of years running. China's steel manufacture in 1978 stood at 31.78 million tons and went up to 66.04 million tons in 1990.

Tracing back to 1978, China's steel production was low with limited variety and the industry was badly structured. There was a serious shortage of some steel products such as steel sheets, pipes and belts badly needed in production and construction.

In order to improve the position, China's steel enterprises emphasized the introduction of advanced rolling techniques and machinery. As a result, great progress has been made in technological and equipment standards and formerly insufficient types of domestic steel have been manufactured.

China has also paid close attention to the import of soft technology and combined development with the absorption of new technology. It is reported that during the period of the Seventh Five-Year Plan (1986-90), steel enterprises absorbed and made use of over 600 technological items imported from abroad and developed more than 86 new varieties of steel products.

Shanghai Boosts Industrial Production

*OW0808034591 Beijing XINHUA in English
0208 GMT 8 Aug 91*

[Text] Beijing, August 8 (XINHUA)—During the first seven months of 1991, the Shanghai industrial output value exceeded 110.98 billion yuan, up 12.3 percent over last year's same period.

Although the city's industrial output value declined in July due to a severe heat wave, it still exceeded 16.33 billion yuan, a 16.4 percent increase over June last year.

A breakdown of the industrial output value shows that light industry increased by 12.1 percent, heavy industry by 21 percent, public enterprises by 9.9 percent, collective enterprises by 17.6 percent, and foreign funded enterprises by 59.8 percent.

List of Top 500 Enterprises Published

*OW0808042191 Beijing XINHUA in English
0203 GMT 8 Aug 91*

[Text] Beijing, August 8 (XINHUA)—China recently released a list of last year's top 500 industrial enterprises based on economic results for the year.

It is reported that each of the 500 enterprises recorded a 10 percentage increase in total sales and a two percentage increase in profits and taxes compared to the previous year.

The comprehensive economic results of the enterprises is higher than the national average level for all other industrial enterprises.

The list shows that most of the enterprises are located in the country's economically developed eastern coastal areas, and that Shanghai, Guangdong, and Shandong provinces account for 34.6 percent of the group.

Anshan Steel Corporation's Output Hits Record

*OW1208132291 Beijing XINHUA in English
1033 GMT 12 Aug 91*

[Text] Shenyang, August 12 (XINHUA)—The output of the Anshan Steel Corporation in northeast China's Liaoning Province was a record 701,500 tons in July, an average of 22,630 tons per day.

The corporation's taxes and profits reached 200 million yuan last July due to the production rise.

In the spirit of aiding the flood-hit areas, the 400,000 employees of the corporation threw themselves into production, according to a company spokesman.

Industrial Cities, Towns Burgeoning in Northwest

*OW1308060891 Beijing XINHUA in English
0143 GMT 13 Aug 91*

[Text] Xining, August 13 (XINHUA)—In the past 40 years more than 100 industrial cities and towns have grown up in northwest China.

China's northwest area includes Gansu, Qinghai and Shaanxi Provinces, and the Xinjiang and Ningxia Hui Autonomous Regions.

This area boasts extremely rich resources; it has 40 percent of China's oil reserves, half of the gas reserves and 60 percent of the coal deposits. It also has all of the country's reserves of nickel, potassium, strontium, beryllium and lithium.

Gold, copper, molybdenum, lead and zinc are found here in large quantities, too.

The founding and development of these new cities and towns have generally been backed by one or more kinds of natural resources. For example, Jinchang is renowned as the "nickel capital", Koktokay as a "kingdom of rare metals" and Baiyin is rich in nonferrous metals. Golmud and Da Qaidam were built on salt and Karamay is known as "oil city". The Longyang Gorge, meanwhile, is known as the "hydropower pearl of the Yellow River".

Jinzui, which is now the center of China's molybdenum mining industry, used to be a small, isolated village in Shaanxi Province. After New China was founded in 1949, a large-scale molybdenum mine was developed there.

Baiyin City in Gansu Province was also a small village with only a few farming families 40 years ago, but now it has set up a number of large enterprises, including the Baiyin Nonferrous Metal Company, Gansu Rare Earth Company and Baiyin Chemical Materials Company, which are all China's biggest in their respective industries.

These developing industrial cities and towns have now become important industrial bases for energy and raw materials.

Mayor of Baiyin Wang Dingguo said that in the past more than 30 years the city has supplied the country with more than 1.1 million tons of nonferrous metals, including copper, aluminium, lead and zinc. The city also produces over half of the country's rare earth products and polyurethane foamed plastics.

Wang said that by 1995 the city's annual output of nonferrous metals will reach 350,000 tons.

Song Ruixiang, vice minister of geology and mineral resources, said that these developing cities and towns will greatly help the social and economic development of the northwest, which is a vast area with a comparatively small population.

In the past few years China has been carrying out an overall plan for oil prospecting and exploitation in the northwest, and already oil and gas have been discovered in the Tarim, Junggar, Turpan-Hami, Qaidam and Shaanganning Basins, while a number of large deposits

of gold, copper, lead, zinc, nickel and potassium have also been found in this area.

It is learned that the Chinese Government has decided to move the focus of oil industry development to the northwest, while that of the nonferrous metals industry has already been moved to the area.

Mechano-Electronic Products Output for July

HK1408110891 Beijing CEI Database in English
14 Aug 91

[Text] Beijing (CEI)—Following is a list of the output of China's major mechano-electronic products in July 1991, released by the State Statistical Bureau:

Item	Unit	7/91	7/90
Power equipment	10,000 kw	39.59	29.65
AC motor	10,000 kw	334.26	282.19
Industrial boiler	ton	6248	5289
Machine tool	10,000 set	1.21	0.88
Including:			
NC machine tool	set	363	82
Precision machine tool	set	97	84
Large machine tool	set	253	145
Automobile	10,000	6.20	4.02
including: truck	10,000	3.54	2.32
Tractor (20 hp/above)	10,000	0.43	0.24
Small tractor	10,000	8.93	7.80
Locomotive	set	54	60
including: diesel	set	44	38
steam	set		5
electric	set	10	17
Passenger coach	set	110	1622
Freight wagon	set	1867	1405
Internal combustion engine	10,000 kw	592.2	451.3
Fishing ship		4	8
Civil steel ship	10,000 ton	20.91	3.76
Computer	set	22	27
Micro computer	set	9322	4226
Pocket calculator	10,000 set	116.96	143.54
Program-controlled switch-board	10,000 set	5.11	1.15
Film projector	10,000 set	0.08	0.08

Mechano-Electronic Output For First 6 Months

HK1408110291 Beijing CEI Database in English
14 Aug 91

[Text] Beijing (CEI)—Following is a list of the output of China's major mechano-electronic products in January-July 1991, released by the State Statistical Bureau:

Item	Unit	1-7/91	1-7/90
Power equipment	10,000 kw	502.13	578.12
AC motor	10,000 kw	2167.97	2127.54
Industrial boiler	ton	32168	29917
Machine tool	10,000 set	8.17	6.64
including:			
nc machine tool	set	2168	1072
precision machine tool	set	653	615
large machine tool	set	1492	1271
Automobile	10,000	39.38	28.17
including: truck	10,000	22.89	17.65
tractor (20hp/above)	10,000	3.32	2.18
small tractor	10,000	89.47	64.32
Locomotive	set	406	383
including: diesel	set	300	273
steam	set	3	17
electric	set	103	93
Passenger coach	set	980	13879
Freight wagon	set	13084	11591
Internal combustion engine	10,000 kw	4005.6	3149.6
Fishing ship		33	34
Civil steel ship	10,000 ton	77.82	48.19
Computer	set	164	164
Micro computer	set	45448	30521
Pocket calculator	10,000 set	716.18	622.49
Program-controlled switch-board	10,000 set	26.59	10.11
Film projector	10,000 set	0.57	0.65

Output of Chemical Products for Jan-Jul

HK1508105891 Beijing CEI Database in English
15 Aug 91

[Text] Beijing (CEI)—Following is a list of the output of main chemical products in January-July 1991, released by the State Statistical Bureau:

Item	Unit	1-7/91	1-7/90
Chemical Fiber	10,000t	107.28	93.35
Sulphuric Acid	10,000t	748.37	657.70
Dense Nitric Acid	10,000t	18.95	17.73
Soda Ash	10,000t	221.66	213.78
Caustic Soda	10,000t	203.06	192.76
Ethylene	10,000t	100.40	87.33
Calcium Chloride	10,000t	132.75	130.60
Pure Benzene	10,000t	41.13	32.63
Synthetic Ammonia	10,000t	1267.44	1251.38
Chemical Fertilizer	10,000t	1161.41	1129.12
of: Nitrogen	10,000t	878.38	877.48

Item	Unit	1-7/91	1-7/90
Phosphorous	10,000t	278.32	247.30
Potash	10,000t	4.57	4.10
Chemical Pesticide	10,000t	17.17	15.20
Paint	10,000t	54.75	47.06
Dyestuff	10,000t	8.57	8.10
Pharmaceuticals	10,000t	11.72	10.00
Chinese patent medicines	10,000t	15.61	13.11
Tyres	10,000pc	2263.58	1835.97
Synthetic rubber	10,000t	20.54	18.60
Film	10,000m	8951	7727
Color Film	10,000m	8146	7484
Plastics	10,000t	151.56	119.20

Notes: T-ton, pc-piece, m-meter

Iron, Steel Production Continue Growth

HK1608014191 Beijing CHINA DAILY in English
16 Aug 91 p 2

[By staff reporter Zhang Yuan; "China Meets Steel Production Quota"]

[Text] China's iron and steel production maintained a strong upward trend in the first seventh months despite disastrous floods and continuous heatwaves in large parts of the country.

An official with the Ministry of Metallurgical Industry announced yesterday that six major products of the industry—iron, steel, rolled steel, continuous casting billets, coke and iron ore—had overfulfilled their planned output quotas by the end of July.

In the January-July period, the country's iron output reached 37.47 million tons and steel hit 39.30 million tons, up 8.17 percent and 4.89 percent respectively from the yearago period, said Lu Youqi of the ministry's Production Department.

The output of iron and steel was 64.43 percent and 60.47 percent respectively of this year's plan.

The planned output quota was 58.08 percent of the annual total, Lu added.

Among the six key products, the highest growth rate went to continuous-casting billets with a rise of 24.86 percent over last year to hit 10.19 million tons.

"Faster growth of continuous-casting billets means the technology level of China's metallurgical industry has been further improved. Continuous casting is an indicator of advancement in the industry due to its characteristics of energy-saving and higher economic returns," Lu said.

But when July was considered alone, he continued, daily output of steel dropped from 189,200 tons in June to last month's 181,500 tons due to transport problems caused by floods and hot weather.

In Shanghai, Wuhan in Hubei Province, Maanshan in Anhui Province and Guizhou Province, temperatures had hovered at around 40 degree Centigrade for long periods.

Big iron and steel producers there failed to reach production quotas last month, which, in turn, affected the country's iron and steel production, he said.

However, daily iron production last month increased by 646 tons from June due to operation of two large-sized blast furnaces in the Capital Iron and Steel Corporation in Beijing and the Baoshan Iron and Steel Complex in Shanghai in the previous two months, Lu explained.

Because of their smooth operation, he said, China's iron output last month reached 5.72 million tons, surpassing steel output by more than 100,000 tons, which was rarely-seen for a long period.

The higher iron output will help the country to reduce iron import from abroad and increase material supply to steel making, he noted.

Output Of Raw Materials for July

HK1608100691 Beijing CEI Database in English
16 Aug 91

[Text] Beijing (CEI)—Following is a list of the output of raw materials in July 1991, released by the Statistical Bureau:

Item	Unit	7/91	7/90
Iron ore	10,000t	1444.6	1353.8
Pig iron	10,000t	571.6	513.1
Steel	10,000t	563.3	521.2
Rolled steel	10,000t	430.23	392.69
Ferro alloys	10,000t	21.65	21.37
Coking coal	10,000t	445.98	434.25
Ten nonferrous metals	10,000t	20.68	19.04
of: Copper	10,000t	4.11	4.27
Aluminium	10,000t	7.89	7.12
Copper products	10,000t	3.98	3.38
Aluminium products	10,000t	4.13	2.98
Alumina	10,000t	12.42	12.70
Sulphuric-iron ore	10,000t	103.41	111.74
Phosphorous ore	10,000t	170.73	173.20
Timber	10,000cu m	198	209
Artificial board	10,000cu m	22.73	18.89
Cement	10,000t	1987.3	1639.6
Plate glass	10,000c	696.08	612.79

Notes: t - ton, cu m -cubic meter, c - case

Commission To Inspect High-Tech Development Zones

HK1708025391 Beijing CHINA DAILY in English
17 Aug 91 p 1

[By staff reporter]

[Text] The State Science and Technology Commission is set to make an inspection of the country's 26 hi-tech development zones established over the past two years in a bid to ensure they are developing in the right direction, officials said.

Beginning from the end of this month, the commission will start examining the scope, acreage, management and development plans of the zones, said Zhang Shanzheng, an official from the Torch Programme Office of the commission.

The nature of the enterprises and the implementation of central government policies will also be examined, Zhang said.

After examination, permits and labels will be issued as recognition by the central government.

The country now has 27 high technology State level development zones which were established in March this year with the approval of the State Council. Beijing High and New Technology Development Zone will not be included in the inspection this time, said Zhang.

According to the policies of the State Council, high technology enterprises within the development zones should be in the fields of microelectronics and electronic information, space science and aero-space technologies.

Optical electronics, life science, bio-engineering technologies, new material technologies, energy science and new energy technologies, earth science, maritime engineering, and medical sciences were also included in the development plans.

Zhang said that there are several purposes for the establishment of the zones. The first was to establish bases for the implementation of the central government's Torch Programme, which aimed to turn scientific results into new products.

Another purpose was to establish the country's new and high technology industries so that traditional technologies and products could be gradually replaced.

Fixed Assets Investments Increase First 7 Months

HK2008065991 Beijing ZHONGGUO XINWEN SHE
in Chinese 1116 GMT 19 Aug 91

[Text] Beijing, 19 Aug (ZHONGGUO XINWEN SHE)—Latest data released today by the State Statistical Bureau of China show that from January to July this year, investment in the fixed assets of China's state-owned units was 118.2 billion yuan, a 21 percent increase over the corresponding period last year. Experts

maintain that this figure is rather high and should draw the attention of relevant authorities.

At the end of this July, the number of new capital construction projects entailing over 50,000 yuan each was 19,222, nearly 8,000 projects more than last year's corresponding period. The total investment increased more than the planned amount by 23.5 billion yuan.

In July, some new changes occurred in the areas of investment: investment in capital construction projects appeared to be decreasing with the increase rate decreasing 14.7 percent; and investment in technological transformation projects increased approximately 7 percent.

Chemical Industry To Expand Research, Development

OW1908005791 Beijing XINHUA in English
0027 GMT 19 Aug 91

[Text] Beijing, August 19 (XINHUA)—China's chemical industry is to launch a massive campaign to expand its scientific and technological research and boost chemical development.

The ministry had decided to hold a nationwide conference in mid-September in Chengdu, Sichuan Province, to map out a 10-year plan on scientific and technological research and development, CHINA DAILY today quoted a senior official as saying.

The chemical industry's key scientific and technological research results are expected to bring the country 3.3 billion yuan (622.6 million U.S. dollars) worth of economic gains in the Eighth Five-Year Plan period (1991-95), he said.

The industry's more than 7,000 scientists achieved 509 major scientific and technological research results in the past five years, of which 335 reached 1980s' world advanced level and 26 overcame a weakness in the domestic chemical industry.

The results, about 70 percent of which have been put into industrial production, have brought the industry direct economic gains of 300 million yuan (56.6 million U.S. dollars) in the past few years.

The official noted that the chemical industry was one of China's key basic industries, which had close connections with electronic, aviation and space industries, metallurgy, light industry, agriculture, telecommunications, transport, commerce, national defence and the daily-life of the people.

To increase its technological level, the ministry has invested 30.7 billion yuan (5.79 billion U.S. dollars) in chemical industry's technical renovation projects in the past 10 years.

CONSTRUCTION

Efficiency of Major Construction Projects Improves

*OW0408015091 Beijing XINHUA in English
0119 GMT 4 Aug 91*

[Text] Beijing, August 4 (XINHUA)—All the 182 major construction projects listed by the central government this year have shown improved speed and quality, the PEOPLE'S DAILY reported today.

In the year of "quality, variety and efficiency" designated by the State Council, greater attention was paid to investment efficiency of the major construction projects which are mainly in the field of raw materials and energy industries, according to the paper.

In the first half of this year, a total investment of 15.98 billion yuan was used in the 182 projects, accounting for about 41.1 percent of the year's planned total.

The highest construction speed was registered in 26 raw material industry projects, followed by eight oil projects and 21 coal projects.

The paper attributed the improvement to a contract system widely adopted by the undertakers of these projects. Tendering was applied in different stages of project construction.

In addition, supervision groups were dispatched to the construction sites to enhance management and help resolve problems encountered.

Capital Construction Projects Completed First 6 Months

*HK0908102391 Beijing CEI Database in English
9 Aug 91*

[Text] Beijing (CEI)—Following is a list showing capital construction projects completed by state-owned units in the first half of 1991, released by the China State Statistical Bureau:

	Unit	1-6/91	1-6/90
Total Investment	100 mil-lion yuan	574.38	466.30
Constructed	item	35071	30089
Completed	item	2802	2177
Area constructed	10,000 sm.	13568.99	12959.35
Housing	10,000 sm.	5262.19	4857.08
Area completed	10,000 sm.	987.93	880.91
Housing	10,000 sm.	454.77	391.49

Construction Industry Figures Rise

*OW2108021591 Beijing XINHUA in English
1411 GMT 20 Aug 91*

[Text] Beijing, August 20 (XINHUA)—The Chinese construction trade took a turn for the better in the first half of this year, with the rise of Chinese fixed assets investment and the spread of the bid contract responsibility system.

Statistics from the State Statistics Bureau indicate that the output value of Chinese state-owned construction enterprises totalled 41.97 billion yuan (7.63 billion U.S. dollars), a 13.2 percent increase over the same period last year.

The growth in the construction trade was mainly spurred by the increase of Chinese investment in fixed assets. Statistics show that in the first half of this year, state investment in basic construction amounted to 57.44 billion yuan, a 23.2 increase over the same period last year.

The increased construction was also linked to the competition system and the various contract responsibility systems, including that of bid contract, that were introduced in the trade. In this way, the enthusiasm of this trade was aroused, thereby improving investment efficiency and the construction level.

In the first half of this year, 84.1 percent of the state-owned construction enterprises initiated contract responsibility systems in one form or another; of which 26.8 percent implemented the bid contract system.

Though the construction trade is taking a favorable turn, it still faces difficulties. The current construction projects are few in number, small in scale and limited in funds.

FOREIGN TRADE, INVESTMENT

Foreign Trade Growth Continues in July

*HK0908033091 Beijing CHINA DAILY in English
9 Aug 91 p 2*

[By staff reporter An Weihong]

[Text] China's total foreign trade continued its double-digit growth in July to total \$11.6 billion, according to the latest statistics from the Chinese Customs.

Imports and exports together were up 22.5 per cent in July over the same period last year.

Exports registered a 24.6 per cent rise over July 1990 to total \$6.38 billion while imports were up by 20 per cent at \$5.28 billion.

Excluding non-trade items such as international aid and donations, items imported as foreign investment and raw materials imported for processing, China enjoyed a

trade surplus of \$1.42 billion with exports standing at \$5.2 billion, up 24 per cent and imports totalling \$3.78 billion, up 20 per cent.

Products that enjoyed good sales included garments, shoes, toys, aquatic and sea products, corn, vegetables, canned food, coal, medicines, synthetic fabrics, carpets, cement, pottery and porcelain for household use, steel products, textile machinery, black and white television, electrical fans, bicycles, electronic watches.

However, exports of tea, filature silk, cashmere, cotton yarn, pure silk and silk fabrics and axle bearings, declined.

Imports of paper pulp, wool, chemical fibre, iron ore, non-edible oil, pesticides, paper and paperboard, copper and copper alloy, and air-conditioners increased, while imports of wheat, sugar, natural rubber, timber, petroleum and edible oil declined.

ECONOMIC ZONES

Pudong Director Outlines New Zone's Development Plan

91CE0664A *Shanghai SHANGHAI JINGJI [SHANGHAI'S ECONOMY]* in Chinese No 2, 30 Mar 91 pp 7-11

[Article by Yang Changji (2799 2490 1015), deputy team leader, Shanghai Municipal Pudong Development Leadership Team, and director, Pudong Development Office, Shanghai Municipal People's Government: "Significance, Planning, and Steps in the Implementation of Pudong's Development and Opening to the Outside World"]

[Text] Acting on behalf of the CPC Central Committee and the State Council, on 10 April 1990 in Shanghai, Premier Li Peng announced to China and the world the important strategic policy of developing Pudong and opening Pudong to the outside world. On 3 May 1990, the Pudong Development Office of the Shanghai Municipal People's Government was formally founded. During the ensuing more than nine months, the new Pudong Zone has attracted the close attention and the great interest of people in all walks of life in both Shanghai and elsewhere. In order to provide a larger number of friends with a further understanding of the new Pudong Zone, I will provide some additional information about the significance, planning, and steps in the implementation of the Pudong Development Zone, as well as on current progress.

I. Significance of and Requirements for Pudong's Development

What need is there for development and opening to the outside world of the new Pudong Zone in Shanghai? The question may be analyzed from three angles.

(A) Pudong's Development and Opening to the Outside World Is a Major Strategic Policy Decision in China's Pursuit of Further Reform and Opening to the Outside World. The development and opening to the outside world of five special economic zones such as Shenzhen and Zhuhai and of 14 economic and technical development zones during the 1980's produced outstanding achievements, and experiences were also gained in the building of basic facilities, the importation of foreign capital, the perfection of rules and regulations, and system reform. The CPC Central Committee thus decided to concentrate energies during the decade of the 1990's on building a new development zone at Pudong in Shanghai, to better enable Shanghai—this former international financial, commercial, and industrial city—to play a role as a window and a base in China's economy. Through Pudong's development and opening to the outside world, fullest use can be made of the vast hinterland and the rich resources of the Chang Jiang Delta and the Chang Jiang basin to provide powerful impetus to this region's externally oriented economy, thereby effecting a new breakthrough in China's reform and opening to the outside world.

Consequently, Pudong's development not only has a bearing on Shanghai's development, but also relates to the economic development of both the Chang Jiang basin and the economy of the whole country. This is a matter of major strategic significance for both Shanghai and the country as a whole.

(B) Pudong's Development and Opening to the Outside World Is Necessary for the Vigorous Development of Shanghai, To Make Use of the City's Multiple Functions, and To Spur Economic Development of the Chang Jiang Basin. Shanghai is a world-famous metropolis, and it is an economic center and port city for all of China as well. Since the founding of the PRC, and particularly during the past 10 years of reform and opening to the outside world, Shanghai's economy has scored arresting achievements. During the past 10 years, Shanghai's GNP has increased from 31.2 billion to 69.7 billion yuan, for an average annual 8.1-percent rate of increase, and an average 7.6-percent rate of increase in national income. In 1989, Shanghai port handled 150 million tons of cargo, one-third of the country's total. The city's foreign trade exports totaled \$5.032 billion in value; and fiscal revenues amounted to 29.693 billion yuan, each representing one-tenth of the national total. All this laid a solid foundation for further development of Shanghai's economy.

Shanghai's historical position, economic and geographic position, and industrial base argue for Shanghai's rapid development of an externally oriented economy and for a role as a hub radiating inland and abroad. The CPC Central Committee's and State Council's approval of the new Pudong Zone's development and opening to the outside world is for the purpose of accelerating the vigorous development of Shanghai and making fullest use of the multiple functions of Shanghai, as well as to make a contribution to the economic development and

orientation toward the outside world of the Chang Jiang basin, coastal regions, and even the entire country.

(C) Conditions and Advantages for Development and Opening to the Outside World in Readiness in the new Pudong Zone. The area under control of the new Pudong Zone lies to the east of the Huangpu Jiang, southwest of the mouth of the Chang Jiang, and to the north of the Chuanyang He, a triangular zone covering an area of approximately 350 square km. It is a golden treasure land close to the center of Shanghai.

(1) Advantages of Economic and Geographical Position. The new Pudong Zone is close to the center of the city. Its far side borders the Chang Jiang, and its near side touches the Huangpu Jiang. It is an important gateway to the mouth of the Chang Jiang, and has fine conditions for building a harbor and for water transportation. The terrain within the zone is flat, and it is upwind from the city where the ecological environment is better. Population density averages about 3,000 per square km, which is one-sixth that of the existing urban area. Superior human and geographical conditions provide the necessary preconditions for economic development of the new Pudong Zone.

(2) Certain Transportation Capabilities Already in Existence. Along the eastern side of the Huangpu Jiang are 78 wharves, 32 of which are 10,000-ton anchorages, which handled 66.35 million tons of cargo in 1989, or 45.4 percent of all cargo handled by the city. The inland waterway provides 11 navigation channels for 20-ton and above ships, and there are 160 wharf anchorages having a cargo handling capacity of 4.6 million tons. The zone has 285 km of roads, 65 km of which are urban roads, and 220 km of which are suburban highways. Transportation across the river is through two existing tunnels, 16 passenger ferries, and four vehicle ferries having a passenger capacity of 1.1 million per day and 17,000 vehicles.

(3) Industrial Strength in Existence; Output Value More Than 10 Billion Yuan. Within the new Pudong Zone planned for development, a foundation for industry and agriculture already exists. A total of 2,500 industrial enterprises employing 380,000 staff members and workers and producing approximately one-tenth of the entire city's annual gross industrial output value are located there. However, if the new Pudong Zone is looked at solely as a whole, its population and industrial output value rank among the 25 cities in the country with an output value of more than 10 billion yuan. The new Pudong Zone's industries consist largely of the petrochemical industry, shipbuilding, steel, building materials, machinery, light industry, and the textile industry. The zone's annual output value from agriculture accounts for approximately 10 percent of the entire city's gross output value from agriculture.

(4) Basic Municipal Government Facilities Beginning To Develop. Current water supply capacity is 425,000 tons per day; maximum electric power load is 600,000 kw,

most of which comes from the municipal power grid, and the first phase of the Pudong Gas Works project to provide 1 million cubic meters of gas each day has come on stream. Fifty km of gas mains have been laid to provide 30 percent of the civilian population with hookups. The main telephone switchboard has a 20,000-circuit capacity. The electric power needed to develop Pudong can be provided from the Shanghai power grid for the time being.

As an integral part of Shanghai's total economic and social development, the new Pudong Zone's development must be dovetailed with the overall plan for Shanghai, the zone being gradually developed in depth in a planned, focused, level-by-level way.

II. The New Pudong Zone Plan and Its Implementation

(A) General Plan

(1) The center of the city extends toward Pudong via an inner ring road that runs along Zhongshan South Road in Puxi across the Nanpu Bridge, which is now under construction, to connect with Pudong. Then it crosses the Ningguo Road Bridge, whose construction is now being planned, and runs along Ningguo Road, Handan Road, Zhongshan North Road, and Zhongshan West Road in a new circular pattern that links the downtown area of the city in Puxi with Pudong across the Huangpu Jiang. This inner ring road is 45 km long and encloses an area of 120 square km within it, 8 square km of which are in Pudong.

(2) Boundaries of the Shanghai urban development area. An outer ring road, which is now being planned, is to be a high speed trunk road linking all industrial and residential sub-regions, and it will serve as the outer limit of urban development. The outer ring road is to run through the cross-river tunnel at the northern tip of Jiangwan Airfield across Chang Jiang Road toward the west. After skirting Dachang Airfield, it will head south along the east side of Hongqiao Airfield to Xinzhuang, after which it will turn south. It will cross the Huangpu Jiang in the Changqiao District close to the Sunxiao Bridge, where it will turn northward toward the Outer Gaoqiao District to cross the river forming a ring road. This ring road is 89 km in length and encloses an area of 610 square km (in both Pudong and Puxi). This is an area the size of Singapore. Plans call for the building of 10 highways radiating out from the two ring roads to produce shortcuts through the city, and also to connect the city with Jiangsu and Zhejiang provinces via a planned national highway.

(3) Planned layout of the new Pudong Zone. An open pattern, with the Pudong part of the city's downtown as the center, is to be used in the planned formation of five subdistricts, each of which is separate and relatively independent. These subdistricts are the Outer Gaoqiao-Gaoqiao Subdistrict with an area of 75 square km and 260,000 residents; the Qingningsi-Jinqiao Subdistrict with an area of 21 square km and 340,000 residents; the Lujiazui-Huamu Subdistrict, with an area of 28 square

km and 350,000 residents; the Zhoujiadu-Liuli Subdistrict with an area of 34 square km and 400,000 residents; and the Beicha-Zhangjiang Subdistrict with an area of 19 square km and 350,000 residents. The total population of the new zone will be 1.7 million. Plans call for the building of new city, district, community, and subdistrict public activities centers in each of the five subdistricts, with corresponding arrangements made for public facilities for production and to serve daily life in the form of housing and commercial services, cultural activities, medical treatment and health, physical education, entertainment, and the greening of public parks. This will allow residents to live and work in peace and contentment close to their place of work. Plans call for between 2- and 3-km-wide green open strips and intervening farmland between one subdistrict and another.

(B) Industrial Layout Plan

During the initial stages of development of the new Pudong Zone, emphasis will be primarily on the development of industry. At the same time, the plan will set aside ample land for the development of tertiary industries, which can be gradually built as economic development warrants.

In the Outer Gaoqiao-Gaoqiao Subdistrict, construction is to begin in 1991 on a large modern port area and the Outer Gaoqiao Electric Power Plant. The port area will be divided into a processing industry zone for the development of exports, and a foreign trader investment area, emphasis being placed on attracting foreign investment for the centralized development of technologically advanced, fairly high quality exports. Accompanying the building of the export processing industrial zone will be the establishment of a bonded area in which bonded warehouses and associated public service facilities will be built to produce an entrepot and distribution center. Within the bonded area, foreign businessman trading agencies will be allowed to conduct entrepot trade and the export-import business of enterprises in the agency area. On the east side of the Outer Gaoqiao shoreline, a 1.7-square-km area is to be designated for the building a 100,000-ton class berth to serve as a new ship construction and repair base. The remaining 5 square km of land available in that district is to be used for construction of a logistical base for future development of oil and gas fields in the East China Sea, and to satisfy needs of other construction projects.

The Lujiazui-Huamu subdistrict faces the Shanghai Bund across the Huangpu Jiang. It is the golden strip of Pudong. Here modern service industries including finance and banking, trade, business, services in foreign countries, a real estate industry, and information and consulting services are to be developed as an extension of functions provided on the Shanghai Bund in Puxi. In the Huamu District of this subdistrict, which is the intersection point for extensions from the Nanpu Bridge and the Ningguo Road Bridge, plans call for development of an area in which administrative offices, business wholesaling, and various social services are concentrated, as

well as high class residential areas. Consideration is also being given to the building of a large cultural fair center for the creation of a bustling commercial center.

The Beicha-Chang Jiang Subdistrict is located on the east side of the new Pudong Zone. Here plans call for the building of science and education parks. In the Qingshengsi-Jinqiao Subdistrict and in the Zhoujiadu-Liuli Subdistrict, plans call for primarily an industrial zone that makes full use of the existing industrial base for the development of industrial projects that produce none of the three pollutants [waste water, waste gas, and industrial sediments], and that have reserve strength for development. In addition, a sufficient area is to be kept in reserve to be provided for foreign businessmen.

In addition to the planned development of key areas, various small industrial zones are to be built. Arrangements call for the removal from the old urban area of multi-story industrial plants and small processing industries.

(C) Transportation Plan

On the basis of the overall plan, and with reference to future economic, cultural, educational, and social development needs, roads in the new Pudong Zone will be linked to those in Puxi to form a modern ground transportation system consisting of motor vehicle ring roads, bus roads, and non-motor vehicle roads, and that link up with the subway.

Cross-river transportation. During the initial stage of construction, the Nanpu Bridge and the Ningguo Road Bridge will be built. Plans call for the additional construction of the Jianghai Road Vehicular Ferry connecting the Outer Gaoqiao District. Ultimately a cross-river transportation system consisting of two or three large bridges, five or six tunnels, five vehicular ferries, and 16 passenger ferries is to be built.

Roads. The Pudong portion of the inner ring road will depend on the Nanpu and the Ningguo Road bridges. The additional construction of an outer ring road connected to the urban area will form the eastern half of the ring road in the Pudong District. This will connect with both the urban area and the suburbs, as well as the north shore of Hangzhou Bay.

Subway. The new zone's subway will be an east-west line about 22 km long connecting the zone to the city's downtown. It will run from People's Square across Zhangyang Road and Yanggao Road to Outer Gaoqiao. The semi-circular line in Pudong District will be about 13 km long. It will run from Gongping Road across Wendeng Road and Yaohua Road to Longhua. Another cross line and a light rail system in the Outer Gaoqiao District will link together residential districts, public activities centers and major transportation collection and distribution points.

Ports. Four shore berths are to be constructed in the Outer Gaoqiao District first, and plans call for construction of a dug out port basin, and the building 30- or 40-ton anchorages for an annual 20-million- to 26-million-ton annual cargo handling capacity. Once the new port has been built, the shoreline of the Huangpu Jiang will be altered to create conditions for the building of a boulevard along the river in Lujiazui District.

Airport. Plans call for the building of Shanghai's second international airport along the mouth of the Chang Jiang in Chuansha County.

Inland Waterway Transportation. The main inland waterway is to be along the Pudong Canal and the newly opened north-south canal connecting with the Chuanyang River running east to west to connect Donggou Gang, Jiebin, and Bailianjing to form a navigation network capable of handling 100-ton ships.

(D) Municipal Government Facilities Plan

Communications. Plans are based on a goal of a 25-percent telephone number line general use rate [dianhua haoxian pujilu 7193 6114 5714 4848 2528 4787 3764] and a 50-percent telephone instrument general use rate [huaji pujilu 6114 2623 2528 4787 3764] for the creation of a new Pudong Zone communications network that is linked to the international telephone communications network through the municipal telephone network.

Electricity. The Outer Gaoqiao Electric Power Plant having a total installed capacity of 3.6 million kw is to be built, the Gaoqiao Thermal Power Plant is to be enlarged, and a 500-kw ring network [huanwang 3883 4986] and a transformer station are to be built.

Running Water. Two new running water plants are to be built having a first phase water supply capacity of 400,000 tons per day, and a near-term capacity of 800,000 tons per day. Long-term plans call for increasing capacity to 1.2 million tons per day.

Housing. A residential construction area of 15 million square meters is to be built by the end of the century.

The development of Pudong is a huge undertaking that will continue into the next century and that will be carried out step by step in accordance with an overall plan.

The first step is the beginning stage of development during the Eighth Five-Year Plan. During this stage, the main tasks are the formulation of plans, putting the environment in order, and emphasizing solutions to transportation problems; actively creating conditions to attract foreign capital; and building river crossing projects and main trunklines, as well as other municipal government facilities. It also includes construction of the Outer Gaoqiao port and electric power plant, and the step-by-step, section-by-section construction of a bonded area covering a 5- to 10-km area for the development of export processing and entrepot trade.

Basic facilities to be built in the new Pudong Zone during the Eighth Five-Year Plan include the Ningguo Road Bridge, the Yanggao Road and inner ring road projects, a gas plant, a running water plant, a programmable telephone network (with 50,000 circuits), and public facilities such as secondary and primary schools, hospitals, and businesses. Plans call for a 5-billion-yuan investment in these projects and the bonded area. The funds will come from state disbursements, bank loans, locally provided funds, and the use of foreign capital. The scale of construction and all funds will be made a part of the nation's Eighth Five-Year Plan general expenditures.

The second step is the key development stage during the Ninth Five-Year Plan. During this period, construction of the zone's main thoroughfares and municipal government public facilities will continue for the preliminary formation of a large pattern for the new Pudong Zone in which basic facilities are pretty well completed, thereby laying a foundation for future development.

The third step is the complete construction phase, which will be in the 20 to 30 years or more after 2000. During this period, thanks to the building of Pudong and the renovation of the Puxi urban area, Shanghai will become a modern industrial base and a financial, trade, science and technology, culture, and information center having fairly complete facilities and primarily oriented toward the outside world.

III. Near-Term Stimulation of Pudong's Development

Doing a good job of developing Pudong and opening it to the outside world requires, we believe, not only a fine plan concept, but of even greater importance is carrying out the various development measures and creating a fine investment climate, painstakingly performing well the real start-up work right now.

(A) Improving the Soft Investment Climate. On 10 September 1990, the nine policy regulations to encourage foreign investment were formally announced. These policy regulations are a concrete embodiment of the more open and more preferential conditions and measures to attract foreign investment as follows: (1) The income taxes of three kinds of partially or wholly foreign-owned enterprises of a productive nature in the zone are to be calculated and collected at a 15-percent reduction or exemption rate. Enterprises to be operated for 10 years or more are to be exempted from taxation for 2 years beginning from the year that they earn a profit, and are to have their taxes reduced by half for 3 years. (2) Equipment, raw and supplementary materials, vehicles, office supplies that three kinds of partially or wholly foreign-owned enterprises in the zone import for use in production, as well as items that foreign businessmen bring in to set up a household and vehicles, are to be exempt from both customs duties and uniform industrial and commercial taxes. Items exported in accordance with state regulations are to be exempt from

both export duties and uniform industrial and commercial taxes. (3) Productive projects in the zone in which foreign traders invest must mostly produce products for export. Subject to the approval of authorities in charge, products that take the place of exports may be sold in domestic markets after payment of duties and the uniform industrial and commercial tax. (4) Foreign traders are to be permitted to invest in the construction of airfields, ports, railroads, highways, and electric power plants in the zone, and they are to be exempt from the payment of income taxes for five years beginning from the first year profits are made. For the following five years, taxes are to be reduced by half. (5) Foreign traders are to be permitted to operate tertiary industries in the zone. In cases where existing regulations do not permit or restrict foreign traders from investing in or operating finance and banking institutions and commodity retail sales businesses, following approval, they may trial operate them in the new Pudong Zone. (6) Foreign traders are to be permitted to set up more banks in Shanghai, including the new Pudong Zone. They must first obtain approval to operate finance companies, and certain foreign banks will be permitted to establish branches as actual requirements for the development of Pudong warrant. (7) Within the bonded area of the new Pudong Zone, foreign trade organizations are to be permitted to engage in entrepot trade, as well as to act on behalf of enterprises in which domestic and foreign businessmen have invested in importing raw materials and spare parts that their enterprises use in production, and in exporting products. Principal administrative and managerial personnel in the bonded area may handle multiple entry and exit passports as a convenience to leaving and entering China. (8) Chinese-owned enterprises in the zone, including enterprises invested in elsewhere in China, are to be dealt with differently in accordance with industrial policy for the new Pudong Zone. Enterprises that meet industrial policy requirements and benefit Pudong's development and opening to the outside world may be accorded discretionary preference in reduction of or exemption from income taxes. (9) Within the zone, a policy of transferring land use rights for compensation is to be carried out, rights running for between 50 and 70 years, with foreign traders being permitted to contract the development of tracts. (10) To accelerate construction of the new Pudong Zone and provide the basic facilities needed for development and investment, the new fiscal revenues of the new Pudong Zone are to be used for further development of the new zone.

(B) Improvement of the Harsh Investment Climate. During the Eighth Five-Year Plan, Shanghai must concentrate its energies on providing basic facilities. Five and one-half of the 10 major municipal government projects planned have to do with Pudong. The 10 major projects that the new Pudong Zone must complete during the Eighth Five-Year Plan are: (1) The South Pudong Bridge project, this bridge to be opened to traffic at the end of 1991. (2) The Ningpu Bridge project, work to begin on this bridge during 1991 and the bridge

opening to traffic within three years. (3) Erection of an overhead highway connecting to the inner ring road. (4) Construction of the Yanggao Road trunk highway running north to south in the new Pudong Zone. (5) Construction in Pudong's Outer Gaoqiao District of four 10,000-ton shore anchorages, construction to be completed in 1993, followed by the additional construction of forty 10,000-ton dug anchorages. (6) Following the installation of a seven-digit system for municipal telephones in 1990, 100,000 telephone circuits are now being added each year, programmable telephones are being installed, and both international and domestic communications services are to be increased. (7) Expansion of the gas plant. (8) Further construction of a running water supply plant. (9) Construction of the first phase of the Outer Gaoqiao Power Plant to provide 1.2 million kw of electricity. (10) Completion of the Outer Gaoqiao bonded area, the Jinqiao export processing area, and first phase development of infrastructure in the Lujiazui finance and trade area [leveling of the ground and putting in roads, running water, electricity, telecommunications, gas, drainage pipes, and sewer lines]. Once the foregoing projects have been completed, taken together with the new construction of other basic facilities in Puxi, the appearance of both Pudong and all of Shanghai will change remarkably.

(C) Close Attention to Beginning the Development of Key Areas. On 11 September 1990, the Outer Gaoqiao Free Trade Zone Development Corporation, the Jinqiao Export Processing Zone Development Corporation, and the Lujiazui Finance and Trade Zone Development Corporation hung out their signs and began work in the New Pudong Zone. They are responsible for initiating construction of these three major sub-areas. Plans call for a 10-square-km bonded area at Outer Gaoqiao, 4 square km of which are to be developed during the first phase. Plans call for development of an 8.27-square-km Jinqiao Export Processing Zone. These three corporations are now in the process of getting government approval to lease the land, are drawing up sub-area plans, and are holding discussions on preparation of the infrastructure.

Following announcement of Pudong's development and opening to the outside world, we alone received 1,700 requests from more than 7,000 foreign traders expressing interest in investing in the new Pudong Zone, and we have formally approved locating in the new Pudong Zone a number of projects employing foreign capital. This not only shows that the government's strategic decision to develop the new Pudong Zone and open it to the outside world is an extremely wise one, but it also shows that both domestic and foreign industrialists and businessmen are interested in investing in Shanghai's new Pudong Zone. We warmly welcome the participation and investment of both domestic and foreign friends, and of compatriots from Hong Kong, Macao, and Taiwan. We will provide an ever-improving investment climate and fine opportunities.

LABOR

Labor Productivity for State-Owned Enterprises in Apr

*HK1308095791 Beijing CEI Database in English
13 Aug 91*

[Text] Beijing (CEI)—Following is a list of labor productivity of state-owned enterprises with independent accounting in April 1991, released by China's State Statistical Bureau:

	Unit	4/91	4/90
Industry	yuan/person	2863	2712
Including:			
Light	yuan/person	3559	3361
Heavy	yuan/person	2503	2377

State-, Collective Enterprises Wages Jan-Jun

HK2208115091 Beijing CEI Database in English 22 Aug 91

[Text] Beijing (CEI)—Following is a list of economic data showing the gross wages paid to employees in China's state-owned and collectively owned enterprises in different areas from January to June 1991, released by the State Statistical Bureau:

Area	1-6/91	(Unit: 100 million yuan)
		Change Over 1-6/90 (pc)
Total	1460.0	14.5
Beijing	57.5	22.7
Tianjin	32.8	11.6
Hebei	63.3	12.2
Shanxi	43.3	15.3
Inner Mongolia	30.9	15.4
Liaoning	106.2	11.2
Jilin	45.8	11.3
Heilongjiang	74.9	15.7
Shanghai	74.2	18.6
Jiangsu	91.6	13.5
Zhejiang	51.8	9.3
Anhui	43.3	11.3
Fujian	33.0	15.4
Jiangxi	32.3	13.1
Shandong	79.1	15.6
Henan	62.5	14.3
Hubei	65.4	15.0
Hunan	52.4	13.3
Guangdong	115.1	17.6
Guangxi	32.4	15.9
Hainan	10.1	21.6
Sichuan	94.3	18.1
Guizhou	20.6	15.5

Yunnan	30.6	13.9
Tibet		
Shaanxi	36.7	10.5
Gansu	26.2	10.5
Qinghai	8.2	7.8
Ningxia	7.0	7.6
Xinjiang	36.1	14.4

TRANSPORTATION

Government Accelerates Railway Construction

OW0808121891 Beijing XINHUA Domestic Service in Chinese 0617 GMT 8 Aug 91

[By reporters Zhu Youdi (2612 1635 2769) and Wang Yanrong (3769 1693 2837)]

[Text] Beijing, 8 Aug (XINHUA)—To correct the problem of railway construction that is too slow and an insufficient reserve capacity of transportation, the Ministry of Railways is stepping up efforts to develop a comprehensive transportation system, focusing on boosting railway transportation capacity to meet the needs of national economic development during the 2000's. The work includes the double-tracking of 3,600 kilometers of railways, electrification of another 5,600 kilometers, and the construction of new lines totalling 6,100 kilometers.

This key railway construction program, known as the "four-five-six" program, will require a total investment of nearly 100 billion yuan. It will be carried out in seven different fields:

—Construction of coal transportation railways will be accelerated to coordinate with the development of coal production bases in Shanxi, Shaanxi, and western Inner Mongolia. In addition to continuing the work to complete the second phase of the Daqin project and the Houma-Yueshan line, positive efforts will be made to facilitate the transportation of coal from the Shenfu coalfield to other localities and to build the Jitong (Jining-Tongliao) line and some other railways.

—Efforts will be concentrated on building China's new north-south trunk line. At present, the transportation capacities of the three trunk lines of Jinghu, Jingguang, and Jiaozhi are being used to the fullest extent. In the future, attention will be focused on building a new trunk line, which covers Beijing, Hengshui, Shangqiu, Fuyang, Jiujiang, Nanchang, Jian, and Jiulong, with work on different sections to be completed at different times. In addition, continued efforts will be made to renovate the Jiaozhi double-track line.

—Work will be started on the electrification of the Harbin-Dalian railway and the double-tracking of the Binzhou, Binsui, and Mulin lines to meet the needs of the economic development of the old industrial areas in Northeast China and the requirements of border

trade. In particular, this work should be carried out in connection with the exploitation of the coal resources in eastern and western Heilongjiang and the development of border trade in Manzhouli and Suifenhe.

—In coordination with the exploitation of oil resources in the Tarim and Turpan areas and further economic growth in Gansu, Qinghai, and Xinjiang in northwest China, emphasis will be placed on expanding the transportation capacity through Sule He and Tianshukou and on building a new Baoji-Zhongwei double-track line in the western section of the Lanxin railway.

—In addition to the electrification of the Chuanqian and Xiangqian lines in southwest China, emphasis will be placed on building a new railway to northern Sichuan and the Nanjing-Kunming railway. The Chengkun railway will be electrified.

—To meet the needs of the coastal economic development strategy and the lateral connections between East China and inland areas, continued efforts will be made to complete the double-tracking projects for the Huhang, Zhegan, and Huainan railways and the Xuzhou-Lianyungang line on the basis of the principle of "paying attention to East China in developing the central part of the railway network." The project of electrification of the Yingtang-Xiamen line will also be continued. In addition, construction of a bridge spanning the Chang Jiang in Wuhu will be started.

—A number of trunk lines essential to local economic development will be built with joint investment by the central and local governments. Examples are the railways from Chengdu to Daxian, Shimen to Changsha, the second transportation lines in Hainan, northern Jiangsu, and Fujian, and other local railways. The purpose is to expedite the construction of a railway network.

It is reported that the Ministry of Railways will raise the train speed on the Guangzhou-Shenzhen railway as an initial step to develop high-speed railway transportation with Chinese characteristics for handling both passengers and cargo.

Guangzhou-Meixian-Shantou Railway Under Construction

OW1108091291 Beijing XINHUA in English
0757 GMT 11 Aug 91

[Text] Guangzhou, August 11 (XINHUA)—A local-funded railway linking Guangzhou with Meixian and Shantou, ancestral home for millions of overseas Chinese, is under construction in Guangdong Province, south China, now.

As construction of the 480-km railway project will be funded by Guangdong Province, the provincial government has decided that the railway will be put into operation after completion of each section to recover funds faster.

The provincial government plans that tracks for a section of 53 km will be laid by the end of this year. A 58-km section linking Changping with Huizhou will open to traffic next year.

The state approved the railway project at the beginning of this year. The whole project is scheduled for completion in 1995.

Though the progress of the construction has slightly lagged behind the schedule because of rainstorms and tyoons in the past months, railway builders are now accelerating construction to complete the project in line with the plan.

Nation To Expand Electric Railway Networks

HK1608072291 Beijing ZHONGGUO XINWEN SHE
in Chinese 0600 GMT 12 Aug 91

[Text] Beijing, 12 Aug (ZHONGGUO XINWEN SHE)—According to Ministry of Railways Electrification Project Bureau sources, China is to focus on the development of electric railways during the Eighth Five-Year Plan, and it is expected that another 21 electric railways, with a total length of 5,000 km, will be built in the next five years. As predicted, by 2000, when its total length of electric railways reaches 20,000 km, China will be ranked among other countries with electric railway networks.

It is reported that the construction of the following electric railways will be completed this year: the 285-km Lanzhou-Wuwei section of the Lanzhou-Lianyungang railway, the 367-km Zhengzhou-Guangshui section of the Beijing-Guangzhou railway, the 105-km Huaihua-Dalong section of the Zhuzhou-Guiyang [Hunan-Guizhou] railway, and two separate sections of the Chongqing-Guiyang [Sichuan-Guizhou] railway with a total length of 249 km.

In the last four years of the Eighth Five-Year Plan, China will launch railway electrification projects along the following trunk lines: phase two of the Datong-Qinhuangdao railway project, the Beijing-Zhengzhou railway, the Beijing-Shanghai railway, the Houma-Yueshan railway, the Baoji-Zhongwei railway, the Baotou-Lanzhou railway, the Chengdu-Kunming railway, the Jiaozuo-Zhicheng railway, and the Harbin-Dalian railway.

The construction of electric railways has been developing rapidly in China. The Baoji-Fengzhou railway, China's first electric railway, opened to traffic in August 1961. Over the past 10 years, China has been gradually speeding up construction of electric railways. In north

China, an electric railway network centering round Beijing has been built, with a total length of 1,946 km, consisting of six main lines, including the Beijing-Qinhuangdao railway, the Datong-Qinhuangdao railway, the Fengtai-Shacheng-Datong railway, the north section of the Datong-Mengyuan railway [bei tong pu tie lu 0554 0681 5543 6993 6424], and the Shijiazhuang-Taiyuan railway. In the central plains area, another electric railway network centering round Zhengzhou has been built, with a total length of 2,545 km, consisting of three main lines, namely, the Zhengzhou-Lanzhou, the Xianfan-Daxian, and the Baoji-Guangyuan railways. In south China, an electric railway network centering round Chengdu has been built, with a total length of 2,001 km, consisting of five main lines, namely, the Chengdu-Guangyuan, the Chengdu-Chongqing, the Zhuzhou-Guiyang [Hunan-Guizhou], the Chongqing-Guiyang [Sichuan-Guizhou], and the Guiyang-Kunming railways.

Apart from the above, two electric railways have been built in east and south China, namely, the 518-km Zhangping-Yingtan section of the Yingtan-Xiamen railway and the 160-km Pingxi-Shaoguan section of the Hengyang-Guangzhou railway.

So far, China has already built three electric railway networks, with Beijing, Zhengzhou, and Chengdu as their centers. The 16 electric railways currently in operation, with a total length of 7,174 km, are sharing 16.5 percent of the country's total rail freight volume.

CAAC Orders 13 Boeing 757 Jets

HK1408102991 Beijing CHINA DAILY in English
14 Aug 91 p 1

[By staff reporter Hu Yong: "CAAC To Purchase 13 Boeing 757 Jets"]

[Text] China's Civil Aviation Administration (CAAC) has ordered 13 Boeing 757 passenger planes in a deal valued at more than \$800 million.

The purchasing contract is to be signed today by representatives of the China Aviation Supplies Corporation (CASC)—a subsidiary of CAAC—and the Seattle-based Boeing Commercial Airplane Group.

The deal would increase the number of Boeing carriers bought by China since the 1970s to a total of 112, valued at \$6.5 billion.

Most of these aircraft are now in service with Chinese airlines, making the Boeing company the biggest supplier of jetliners to China's civil aviation fleet.

"The 13 new Boeing 757s will be added to CAAC's order list of 36 jetliners manufactured by Boeing, already agreed upon and announced last year," Liu Yuanfan, president of CASC said.

Liu is expected to sign the contract today at the China World Trade Centre in Beijing with Jim Chorlton Vice-president of the Boeing Commercial Airplane Group.

In April, CSAC, the company in charge of purchasing planes from abroad, ordered three Boeing 737-300s valued at \$110 million. At the same time, it reached a preliminary agreement to buy more planes from Boeing.

When a Chinese governmental purchasing group went to the U.S. in June this year, CASC emerged as the biggest customer and clinched deals valued at \$220 million with U.S. firms, including Boeing, when the two sides also discussed the purchase agreement.

Through two months of further negotiation, CASC and Boeing have finally agreed on the terms of the new purchase contract.

According to the contract, the Boeing 757s will be delivered between 1994 and 1997.

In addition to Boeing, CASC also has trade links with other overseas aviation manufacturing giants, such as McDonnell Douglas and Airbus Industrie, Liu noted.

A large proportion of airlanes used for civil aviation in China have been bought or rented during the past years. As a result, CAAC now has a mixed fleet of airplanes, including such models as the Airbus A310, the McDonnell Douglas MD-82, the Soviet-built Tu-154 and the Boeing 747.

From March to August this year, 12 more Boeing jets, ordered earlier by CASC, were delivered.

The Boeing 757 is a medium-size, medium-haul airplane with 202 seats.

Five months ago, it was sent to Lhasa, Tibet, for demonstration flights.

Big companies such as Boeing have recognized that the Asian-Pacific region has the greatest potential for civil-aviation development, according to the firms' officials.

In the 1990s, civil aviation in China will continue to develop at a higher speed than the average rate in world aviation, officials from CAAC predicted.

"We are still in need of modernized aircraft", said Liu, "though we can proudly say, we have all the latest models."

Yunnan Begins Construction of High-Grade Highway

OW1508154891 Beijing XINHUA in English
1245 GMT 15 Aug 91

[Text] Kunming, August 15 (XINHUA)—Southwest China's Yunnan Province today began construction of a high-grade highway which will extend from the provincial capital of Kunming to Chuxiong City in the western part of the province.

The 133.6 kilometer highway, which will cost over 590 million yuan, is listed as a key project by the province and the state Ministry of Communications.

When completed, the highway is expected to promote the development of western Yunnan Province, an area with abundant mineral and hydro-electric resources, as well as the border trade between China and Myanmar.

Tibet Improves Highway Projects

OW1608083291 Beijing XINHUA in English
0755 GMT 16 Aug 91

[Text] Lhasa, August 16 (XINHUA)—Projects to improve or rebuild the Qinghai-Tibet and Sichuan-Tibet highways have started and will cost a total of 1.377 billion yuan.

Since the Qinghai-Tibet (Xining-Lhasa) and Sichuan-Tibet (Chengdu-Lhasa) highways opened to traffic in 1954, they have been important links between the inland of China and Tibet, the only area in China where there is no railway service.

An official from the Tibet Communications Department said that each year more than 85 percent of the autonomous region's materials and goods are transported along the 1,937-km Qinghai-Tibet highway. China spent 800 million yuan rebuilding and surfacing the road with bitumen during 1974-1985. However the whole length of the road has been damaged in varying degrees, especially the 500-km section of permafrost.

According to the Tibet Communications Department, the central government will spend 377 million yuan on rebuilding the worst-affected 347-km section.

He said that the government will invest one billion yuan in rebuilding the 2,416-km Sichuan-Tibet highway in the next 10 years in a bid to make it reach the standard of a third-grade road.

AGRICULTURE

Yunnan Summer Grains Set Historical Record

91P30180A Kunming YUNNAN JINGJI BAO
in Chinese 18 Jun 91 p 1

[Text] According to an agriculture inspection team survey of winter grains in 40 counties and 800 villages in Yunnan, gross output of summer grain this year will be 1.842 billion kilograms. This represents an 8.4 percent increase over 1990, and the last two years have produced record levels of production.

This year, all areas have regarded striving for a plentiful summer grain harvest as an important step in continuously increasing grain production throughout the year. The party, government, and agricultural departments everywhere have adopted measures to sum up experience in late autumn production in which "southern areas

emulate Luxi, and central areas emulate Mile," and to spread methods of interplanting. The area of summer grain cultivation has increased continuously, reaching 15.659 million mu in 1991—an increase of 2.286 million mu over 1990. Energetically practicing scientific farming increases the yield per unit area. In addition to spreading new varieties and standardizing cultivation, the provincial agricultural department has allocated 1 million yuan to run demonstration fields and create model areas.

Increase in Livestock, Poultry Production Threatens Prices

91P30182A Beijing NONGMIN RIBAO in Chinese
24 Jun 91 p 2

[Summary] Two successive years of good harvests have led to low grain prices and surplus grain in the hands of the peasants. This in turn has led to a chaotic rise in livestock breeding in order to utilize surplus grain and keep prices high. However, excessive livestock breeding could overwhelm demand and reduce livestock prices—many areas already face this problem.

This year's April statistics show increases in livestock population over last year. Shandong had increases in all types of livestock except for sheep. In Jiangsu, domestic fowl stocks went up 20 percent, and in Shanxi, the price for live pigs increased 70 percent. In Anhui, stocks of live pigs increased, and stocks of domestic fowl rose 18.2 percent.

Meanwhile, self-sufficiency in animal products in large cities and other areas has been on the rise, cutting into shipments from large pork-producing provinces (such as Sichuan and Hunan) and hindering the fulfillment of the allocation plan for pork. In Beijing, production of pigs and fresh eggs increased 12.5 percent and 8.9 percent over last year. Jilin Province became self-sufficient in pork in 1989, as did Heilongjiang Province last year. Shanghai and Chengdu are approaching self-sufficiency in pork and eggs. These increases in self-sufficiency have limited transfers of livestock and poultry from other areas.

This enthusiasm for raising livestock has led to overstocking and falling prices. The procurement price for pigs in Jiangxi Province has fallen from 44.2 yuan per kg to 3.2 yuan per kg. In one location (Douchang County) the price is around 2.6-3 yuan per kg. In Shandong, stocks of sows increased by 110,000 head over last year, which may lead to a poor selling market. Poultry prices have already started to drop. In Jiangsu, following last year's rapid development of poultry, supply currently exceeds demand, and the price of eggs has fallen by 0.45 yuan. Livestock prices have also fallen in Fujian, Guangdong, and Hunan.

This situation reflects the inadequate national regulation of grain procurement, storage, and allocation, as well as the peasants' failure to understand commodity economies and market news. Correcting it requires getting better market information to the peasants, increasing the capacity to store and distribute grain, increasing circulation, and increasing peasants' consumption of meat, poultry, and eggs. Most important, the country must increase its capacity to store the surplus grain now held by the peasants.

Shanghai Granary Built With World Bank Loan

*OW2708142591 Beijing XINHUA in English
1401 GMT 27 Aug 91*

[Text] Shanghai, August 27 (XINHUA)—Shanghai began to construct an 80,000-ton grain silo today with a loan from the World Bank.

The grain barn, the largest ever built in the country, is a major project of the renovation of the Shanghai harbor. When completed, the barn will handle an annual amount of 6.2 million tons of bulk grain.

Customs Releases July Foodstuffs Export Figures

*HK2708133291 Beijing CEI Database in English
27 Aug 91*

[Text] Beijing (CEI)—Following is a list showing China's export volume of cereals, oils and food in July 1991, released by the General Administration of Customs:

Name	Unit	July 1991	July 1990
Pig	head	247,935	241,590
Poultry	in 10,000	426	314
Beef	ton	14,288	14,565
Pork	ton	11,328	8,553
Chicken	ton	4,229	2,538
Rabbit	ton	794	1,779
Egg	in 10,000	39,610	39,860
Aquatic products	ton	27,056	25,000
Fish	ton	4,728	5,274
Prawn	ton	2,260	1,602
Cereals	ton	1,090,191	516,306
Rice	ton	65,893	5,748
Maize	ton	843,612	348,031
Pulses	ton	59,759	37,844
Soybean	ton	88,571	95,082
Vegetables	ton	88,938	75,932
Fruit	ton	12,341	16,029
Orange	ton	49	16
Apple	ton	0	0
Sugar	ton	26,085	70,682
Canned food	ton	57,265	62,181
Pork	ton	18,353	9,501
Vegetables	ton	25,542	44,134
Fruit	ton	4,186	3,321
Others	ton	9,184	5,225
Peanut	ton	32,519	30,807
Vegetable oil	ton	3,742	10,105

Corruption by Power Elite Described

*91CM0465A Shanghai SHEHUI [SOCIETY]
in Chinese No 76, 20 May 91 pp 12-14*

[Article by Feng Xiangdong (7458 0686 2639): "Power Elite's Regulation of Social Development"]

[Excerpt] [passage omitted] Social Problems Result Mainly From Defective Macroscopic Regulation by the Power Elite

1. The power elite decides the political party's administrative program, the state's strategic direction, and social development goals. It also commands the masses' behavior in society. The overall quality of the power elite is directly related to whether the social values of millions of people are right or wrong, and to the success or failure of social achievements. This is true in theory as well as in practice.

2. If the power elite vacillates in its philosophical belief in the Marxist-Leninist principle of seeking truth from facts, and flexible in the policy of hard work and thrift in developing the country, this will create the corruptive practices of "fondness for fine food - pleasures - extravagance - greed." Fond of fine food means eating public wealth. "In 1988, 25 billion yuan of public funds was used for banquets and feasts in the nation," equivalent to "the sum of five month's wages for all workers." This is in striking contrast to investment in education, which is second to last out of 149 nations, and enhances the widespread social practice of "everyone eats free food, and no one would be foolish enough to refuse free food." Such practices promote hedonism among cadres. They use luxurious housing as a symbol of power and wealth, and try to compete with western consumption. They want imported T.V. sets and refrigerators, first-class cars... creating a "deficit consumption" trend of extravagance. And they take extra housing, and the higher one's position the more and better housing they take. By the end of 1983, per capita real estate investment by units in Beijing under the central government and Central Committee of the CPC were four times that of units under the Beijing municipal government, and the average housing area per person was two times as much. Housing in Beijing is larger and better than other cities and provinces. Similarly housing in provinces and cities is better than that in prefectures and counties. In contrast, 31.6 percent of all households have nowhere to live, live in hazardous housing, or in crowded small houses. There have been efforts to investigate housing conditions, with little result, and the masses have complained. Pleasure-seeking will inevitably lead to extravagance. Some cadres are reluctant to ride in "Red Flag" and "Shanghai" brands of cars, but are crazy about imports. Between 1980 and 1987, 26 billion yuan was spent on importing automobiles, which is 2.6 times the accumulated investment in the nation's automobile industry. A large proportion of car imports become "official legally assigned cars, family members naturally ride in these cars, their relatives ride in the cars, the

driver's friends ride as well, even cadres at sectional levels dream of acquiring an imported car," which further enhances the spread of "conspicuous consumption". This is in striking contrast to the fact that "every 2,700 persons ride one public bus, and 9 to 13 people have to be huddled within the area of one square meter on the bus during rush hour." Extravagance by elite groups inspires an increase of official economic crime. From 1982 to 1988, the discipline inspection system in the nation filed and handled 1,147,962 cases of various discipline violations. They disciplined 879,117 party members, among them, 342 were at the provincial army level and cadres, 4,296 were officials at the prefecture or division level, and 36,496 were officials at the county or regiment level. Embezzlement, graft, offering and taking bribery, and corruption accounted for 36.36 percent of the cases. Economic crimes committed by cadre in Liaoning Province have five major characteristics: First, there are more corruption cases. Second, more crimes are found in departments with real power. Third, more crimes are committed by young and middle-aged cadres, 60 percent are between the age of 35 and 45, (the same age group accounts for 80 percent of all cases in Putuo and Xuhui Districts of Shanghai). Fourth, more cases involve transactions between power and money, 66.3 percent of the cases have to do with taking money and material goods. Fifth, criminal methods are more covert and complex.

3. Regarding these problems, Deng Xiaoping said: "Bureaucracy is a widespread major problem in the political life of the party and the state. The main manifestation and harm are: standing high above, abusing power, divorce from reality, cutting oneself from the masses, eagerness to show off, speaking empty words, rigid thinking, sticking to convention, swollen organizational structures, overstaffing, dilatory work style, inefficiency, irresponsibility, bad credit, document travel, shifting responsibility to each other, full display of bureaucratic airs, reprimanding others on at will, attacking others in retaliation, suppressing democracy, cheating superiors and hiding facts from subordinates, being imperious and despotic, bribing for personal gain, taking bribes and bending the law, etc." Corruption of the power elite, therefore, induces social unrest, and serves as a major reason for social corruption. We can not underestimate the "destructive social effect" of "when those above behave unworthily, those below will do the same."

4. The drastic decline in spiritual civilization of the power elite encourages the revival of social evils. Prostitution has recurred. In Guangzhou, prostitutes arrested in 1985 increased 40 times over 1979, and in Shanghai, the increase was 240 times. In some cities, 70 percent of private hotels are involved in prostitution. In Shanghai, in 1988 V.D. increased 4.5 times over 1987, and from January to September 1989 increased 93.74 percent over the same period in 1988. Abduction and selling of women and children have occurred. Organized gambling and superstitious practices are on the rise. The juvenile

delinquency rate is going up. The illiterate population exceeds 200 million, and even taking and selling drugs, and gangs have appeared. We need to study and reflect on what social problems there are behind the phenomena of "mahjong, dancing, and qigong."

The evil cycle of "fondness for fine food - pleasures - extravagance - greed - self-corruption" caused by the drastic decline in spiritual civilization of the power elite, can be dealt with and corrected. [passage omitted]

'Sources' Detail Extent of 'Slave Trade'

HK0107011891 Hong Kong *SOUTH CHINA MORNING POST* in English 1 Jul 91 p 9

[By John Kohut in Beijing]

[Text] The "slave trade", involving women and children, has become big business in China with gangs building networks spreading across the country, sources have said.

In 1989 and 1990, police uncovered nearly 40,000 cases of women and children sold into bondage, and managed to free about 30,000 of them.

The cost ranges from 2,000 yuan to more than 4,000 yuan (HK\$2,892 to HK\$5,784). Although this is equivalent to several years' income for a Chinese farmer, the price of buying a bride is far cheaper than the cost of betrothal gifts demanded in many parts of the country-side.

About 65,000 members of 9,000 gangs have already been arrested, according to the sources, who have access to confidential government reports.

Frequently, women are raped by members of the crime syndicates before being sold. Once sold, they are kept under tight guard by their masters and their families. Many have been beaten to death for trying to escape, while others commit suicide.

In the poor northeastern province of Shandung, 400 women have been seriously wounded after beatings by their masters or gang members, and 60 have been killed.

Although the Chinese press has carried reports of the slave trade, the extent of the problem has not previously been publicly revealed.

Police are exasperated by the rapid expansion of the trade, which has developed despite repeated campaigns to stop it, most recently in November 1989 as part of the campaign against the "six evils" (which also includes vices such as prostitution, pornography, and gambling) and in May 1990 with a new call for a "severe crackdown" on the crime.

Despite the many arrests, police believe the buying and selling of women and children is actually increasing, with the demand for brides and children, particularly among poor peasants, being enormous.

Some local officials and Communist Party members are themselves involved in such crimes, according to the sources.

While the trade was previously carried out primarily by individuals or small groups, today the business is run mainly by gangs with as many as 200 members in the case of one specialised crime syndicate.

Some groups act as wholesalers, selling women and children to groups which specialise in finding customers for them.

It is not uncommon for a woman or a child to change hands several times before being delivered to her final master.

Nor is it rare for the master to put his purchased woman back on the market.

Police complain that China's laws are not severe enough, with most criminals, receiving prison sentences of five years or less—the same as for stealing and selling an ox valued at 1,000 yuan or less.

Draft regulations presented to the National People's Congress Standing Committee last week would provide for sentences of between 10 years in prison and death for those who organise the trade in women and children, and up to three years in prison for those who buy women and children.

Harbours, train and bus stations, labour markets, hotels and dance halls have become stalking grounds for criminal gangs in search of victims, which have included peasants, workers, university students, teachers, and even foreigners.

Sometimes, women are drugged on trains or buses and then kidnapped.

Some gangs enter homes with their faces covered and armed with weapons, and simply carry off women, children and babies, or hold up cars and buses and drag their victims away at knifepoint.

Of the nearly 29,000 women and children who have come to one district of Shandong province since 1978, about 15,000 were victims of the slave trade.

One township in Shandong with a population of 670,000 reported that nearly 2,000 women and children were purchased, the sources said.

Even after discovering cases of women and children sold into bondage, police often have difficulty freeing them because their masters cajole the women with promises or threaten them, are protected by local officials, or threaten to attack people who try to intervene.

Colleges Graduate Over 45,000 Ethnic Students

*OW3107025191 Beijing XINHUA in English
0046 GMT 31 Jul 91*

[Text] Beijing, July 31 (XINHUA)—The over 45,800 students from minority nationalities graduated from 1,000 Chinese colleges during 1991 have been assigned to various fields to help with the country's socialist construction.

Sources from the State Nationalities Affairs Commission report that the ethnic minority graduates are high quality, and that many have already joined the Communist Party. Many of the students volunteered to work in border areas where they could use their knowledge to aid in economic development.

The Central Institute for Nationalities graduated 720 students from 46 nationalities who studied in 31 specialities. The institute, the largest of its kind in China, offers courses in 20 departments and 91 specialities. Thus far, the institute has graduated over 26,000 students, including the first group of students from a number of lightly populated nationalities, such as the Menba, Luoba, Jinuo, Hezhe and Elunchun nationalities.

Universities To Raise Emphasis on Economics, Law

*OW1908022591 Beijing XINHUA in English
0120 GMT 19 Aug 91*

[Text] Beijing, August 19 (XINHUA)—Profound structural changes are taking place within China's colleges and universities as part of a national scheme intended to reduce emphasis on technology and science disciplines.

Today's China Daily reported that China's 1,000-plus colleges and universities enroll nearly 650,000 freshmen each year.

According to a five-year development program designed by the State Education Commission, the nation is in the process of establishing a higher education system which involves different levels and various forms of training, with comprehensive programs to offer and an adequate number of places.

Recent reform has brought about a demand for more talent in the fields of economics, law and finance.

The requirements of economic development in the next few years cannot be met under the existing higher education system which lays so much emphasis on science and technology, said an official with the Higher Education Department of the State Education Commission.

Efforts in the past few years to make structural changes in higher education have resulted in considerable changes in the level and structure of courses, and in the location of some programs, according to the official.

Enrollment of full-time students in the fields of finance and economics, political science and law, and liberal arts have increased 11 percent, 31 percent and 127 percent respectively since 1978.

Correspondence courses and evening universities have also witnessed a rapid increase in student enrollment in these fields.

A large number of new specialized subjects, which are urgently needed in society, will also be introduced. They will include electronic technology, computer, energy and environmental science, materials, bio-technology and medical technology, the newspaper said.

CENTRAL-SOUTH REGION

Police in Flooded Areas Punish Lawbreakers

HK2707014091 Hong Kong ZHONGGUO TONGXUN
SHE in English 1358 GMT 26 Jul 91

[“Chinese Police in Flooded Areas Settle Disputes and Strictly Punish Lawbreakers”—ZHONGGUO TONGXUN SHE headline]

[Text] Beijing, July 26 (HKCNA)—Sources in the Ministry of Public Security said that the public security authorities in the flood-stricken areas have settled several disputes arising out of the flooding and have cracked down on lawbreakers taking advantage of the floods.

In Xinyang Prefecture in Henan province, over 400 criminal cases have been dealt with as well as over ten disputes or acts of physical violence since late June. On June 14 when several hundreds of armed people in Xincai County were about to start fighting amongst themselves, 30 policemen led by the country's director of the Public Security Bureau succeeded in stopping the fight after over ten hour's persuasion out in the pouring rain.

On July 11, a villager in Lixian, injured by a car, used this as an excuse for blackmailing the driver. He argued with the driver in the middle of the road, resulting in blocking the way of several hundred vehicles loaded with relief materials for two hours. The villager was arrested on July 14.

In Hubei Province, according to incomplete statistics, the police succeeded in stopping 176 fights between armed persons in the course of flood relief and settled 399 various other disputes between the end of June and July 15.

According to the Ministry of Public Security, the public security authorities in all the disaster-ravaged areas are ready to severely punish lawbreakers while at the same time doing all they can to assist flood victims.

NORTHEAST REGION

Liaoning Governor Yue Qifeng Profiled

Yue Qifeng: Promote Liaoning's Future Development

91CM0425A Hong Kong KUANG CHIAO CHING
[WIDE ANGLE] in Chinese No 223, 16 Apr 91
pp 44-48

[Article by Li Kuo-Ch'iang (2621 0948 1730): “Target Reforms to Provincial Conditions, Spur Future Development—an Interview With Liaoning Governor Yue Qifeng”]

[Text] Yue Qifeng Accepts Seven-Hour Interview With KUANG CHIAO CHING [WIDE ANGLE] the Day After He Is Elected as Governor of Liaoning Province

On 15 March 1991, the day he was elected governor of Liaoning Province, Yue Qifeng [1471 1477 1496] accepted an interview in the governor's office in Shenyang.

The interview lasted from 1400 to 1900, and then continued on with a chat through dinner. Governor Yue talked at length on a range of subjects, and the interview did not finish until 2100.

Yue Qifeng's “Report” Stirs Up Liaoning

Yue Qifeng had originally been the governor of Hebei Province. The governors of Liaoning, Hebei, and Henan were rotated last year, and he has been working in Liaoning for the past eight months. On 14 March, he was officially promoted from acting governor to governor. In the past eight months he has studied deeply into the situation in Liaoning Province to find out where the problems are. He has written a series of incisive “government work reports” which have been highly praised and have caused quite a stir. Yue Qifeng said to this writer, “I basically explained in the government work reports what my views were regarding Liaoning Province. I wrote the speeches myself.”

What Are the Problems in Liaoning?

Yue Qifeng started off by affirming the province's strengths. It is a big industrial province which has a solid industrial base, highly developed water transport, and a large number of key large- and medium-sized enterprises. It has been a base for heavy industry ever since the founding of the republic and has provided large quantities of energy, raw and semi-finished materials, and other heavy industrial products. Liaoning has steadfastly supported the central leadership, and it has made important contributions by accumulating resources, training personnel, and exporting. Liaoning occupies an important position in national economic development.

However, after eight months of study, Yue Qifeng has come to feel that Liaoning needs to clearly understand its current situation. The province cannot sit on its hands; it must be aware of the progress and changes which have occurred in recent years in other provinces. The current problem in Liaoning is that its industry is aging seriously and equipment is outdated. Many factories are past their prime, and not enough measures have been taken to deal with this problem. Management is not highly skilled, and some enterprises have gone down hill. Our processing industry is very weak. We are still working on big projects. There are not enough raw materials, so we have had to buy them from outside sources. Many products are of inferior quality and they are produced in other provinces as well. Our products are not competitive in the marketplace, so we do not really get much benefit. There is also a problem now about where we should be using our limited funds; we should try to live within our

means. In comparison with the coastal provinces in the south, we are not very advanced in terms of our concept of commodities and the market, and we are not very open. In addition, Liaoning's agriculture is not yet highly developed. Yue Qifeng stressed the need for a clear understanding of where the problems lie in Liaoning's economy. Industrial production is recovering slowly, products are not selling well, inventories are piling up badly, economic benefits to the province are dropping sharply, government revenues are far short of required levels, deficits are growing fast, and funds are in extremely short supply. (In 1990 the central government supplied 1.4 billion yuan to Liaoning, making Liaoning the largest debtor province in the nation.) The reasons for these problems must be understood. There are many causes, but the main one is the economic structure which has existed for many years. In particular, the irrational industrial structure and the product mix has not been solved. He believes that Liaoning's problems are structural in nature. If you can determine where the problems lie, you can take targeted measures in the coming years, thereby reviving Liaoning and promoting its prosperity.

Getting a Clear Understanding of Problems Is To Enable Liaoning To Develop Better in the Future

He stressed that Liaoning must clearly understand where its problems lie in order to achieve better development in the future.

In the northeast, neighboring countries have embarked upon a new diplomatic and economic course which deserves close attention. They are busily opening up new economic development zones and free ports, which present Liaoning with new opportunities and challenges. Furthermore, since China implemented its program of reform and opened up, some inland provinces and cities have achieved great economic development. Especially within the context of the program of improvement and rectification, the economy has been gradually moving toward normalcy, and the gap between Liaoning and these advanced regions is widening. Many provinces and cities have begun to place great importance upon efforts to develop their own basic industry as well as their raw and semi-finished materials industries. Furthermore, they are building upon a strong base and the result is a sharp contrast with the aging industry of Liaoning. Liaoning's national position and role is changing. You could look at it from this angle: Shanxi Province is producing more than 200 million tons of coal per year, while Liaoning does not produce enough to meet its own needs. Angang Steel employs more than 400,000 people. Baogang Steel has already come on line with far fewer people and very advanced technology, so in a few years Angang Steel may yield its leading position in the steel industry to Baogang Steel. In the area of machine tools, those made in Shenyang no longer sell south of the Yangtze River. For these reasons, we need to gain a clearer understanding of our province. We cannot be complacent. We must view our province from a national perspective. We must see the province's weaknesses as

well as its strengths, its challenges as well as its opportunities. In this way we will feel the urgency of the need to revitalize Liaoning, and we will feel a sense of responsibility. We need to concentrate our resources to strengthen the economy, and to maintain and strengthen Liaoning's position and role in the national economy.

Yue Qifeng also feels that the government needs to perform better, formulate better regulations to govern its work procedures, and do a better job of tapping the initiative of its subordinate departments and bureaus.

Liaoning's Key Economic Objectives in the Next 10 Years

What is to be done? Yue Qifeng said, "We must vigorously carry out readjustments." In the next 10 years and during the period of the Eighth Five-Year Plan, the focus of economic development in Liaoning Province should be upon strengthening the agricultural base, developing township enterprises, accelerating technological renovation, revitalizing large- and medium-sized enterprises, strengthening science education, and improving the quality of the entire populace as well as the quality of the national economic structure. We now need to make a determined effort to resolve revenue problems and alleviate the shortage of funds.

Yue Qifeng said that as long as we choose the right path, unify personnel, obtain the support of the State Council, and take advantage of Liaoning's strengths, the future development of Liaoning will not be slow. In reality, Liaoning is in a very strong position. It has a strong technological base and a high quality work force. As long as we take the right path, future development will be impressive. The 59-year-old Yue Qifeng said, "During my time in office, which will not be so long, I do not hope for any glittering achievements; I just want to do real work to solve real problems so that future development will be more substantive."

Liaoning Will Pay Special Attention To Developing Township Enterprises

Yue Qifeng said that Liaoning is an industrial province. In the past its total agricultural output value only accounted for 9.4 percent of total industrial and agricultural output value. Its urban population is high; 42 percent of the population is non-agricultural. Land per capita is only 1.33 mu. At the end of the Seventh Five-Year Plan, grain per capita was 330 kilos, well below the national average. Liaoning has many large- and medium-sized cities and many special industries. The province buys 36 percent of its grain. For these reasons, he feels that agriculture is the weak link in Liaoning. The amount of fiscal resources used for grain and food subsidies is rising every year, with the result that Liaoning now gives out among the greatest amount of subsidies in the country. The rural economy is weak, and township enterprises account for little of total agricultural output value. Out of 45 counties in the province, 38 get by only with fiscal subsidies from the state. The weak agricultural base clearly hinders the province's

economic development. As the population increases and land decreases, economic development in the future will depend even more upon agriculture. If agriculture does not develop, there will be no foundation for overall economic development. If county, district, town and township enterprises do not develop, it is unlikely that a fundamental solution to the tight fiscal situation of local governments in Liaoning will be found.

Yue Qifeng said that Liaoning needs to raise overall production capacity. Liaoning also needs to assure that grain production will be stabilized at 15 billion tons during the Eighth Five-Year Plan, and it needs to reach 16.5 billion tons by the end of the century.

Yue Qifeng said that Liaoning's agricultural base badly needs improvement. Liaoning has better water resources than Hebei Province, but Liaoning only has 10 million mu of irrigated cropland, while Hebei has 50 million, and it is a shame that so much river water in Liaoning flows unused into the sea. He feels that the province should strive to add a million mu of irrigated fields per year, convert sloping fields to high quality terraced fields, improve fields of low and medium yield, build up fields with medium and high yields, increase planted acreage, place importance upon the development of marine resources, and run experimental coastal pastures. We must use science education to spur agricultural development, spread the use of appropriate technology, increase agricultural production, increase agricultural inputs, and develop agriculture-related industries. Liaoning will accelerate the development of township enterprises in the next few years. In 1990, township industries in Liaoning achieved a total output value of 28.7 billion renminbi, or 25 percent of total industrial output value for the province. These industries paid 2.06 billion yuan in taxes, 5.5 percent more than in 1989. Total output value increased by 8.6 percent. The fixed assets of township enterprises in Liaoning have risen to 12 billion yuan. It is reported that one-third of the income of rural residents in Liaoning comes from township enterprises. Yue Qifeng feels that Liaoning's township enterprises should be further developed, that favorable policies should be formulated to that end, and that this is the only way to improve the fiscal situation.

Yue Qifeng said that he hopes foreign investors will participate in the upgrading of Liaoning's old enterprises, and he said that such investors could be sure of earning large profits. In reality, the investment in a downstream, deep level processing facility is small, and the profits are big.

A Tireless, Hardworking Governor

Yue Qifeng is a tireless, hardworking governor.

Eight months into his job in Liaoning, he has been to every city in the province, discovering problems at their source and studying ways to solve them. He revealed to this reporter that during his time in Liaoning he has often lost sleep, and he has never before taken so many sleeping pills. He said that at age 59, after more than 40

years on the job, he asks nothing of life. He has discovered since arriving in Liaoning that everyone expects a lot of him, and he hopes to achieve something.

Foreign Funds and Technology Are Welcome To Help Liaoning Upgrade Factory Equipment

Liaoning will be making use of untapped potential and carrying out large-scale development in the next few years. Yue Qifeng enthusiastically welcomes people from Hong Kong, Taiwan, and abroad to come to Liaoning to visit, to study conditions, and to invest.

Development Goals for the Next Five Years

During the period of the Eighth Five-Year Plan, which runs from 1991 to 1995, Liaoning will concentrate its resources on 40 major projects, including six power plants, six large water projects, three high grade highways, two harbor transport highways, and one large coastal highway. In addition, the province will also expand a number of coal mines, continue construction at the four largest ports, vigorously develop sea transport, accelerate construction of communication infrastructure, develop the petrochemicals, machinery, and electronics industries in accordance with priorities, improve light industry, textiles, and pharmaceuticals, and proceed vigorously with the second phase of the Liaoning chemicals project. We must do this to assure that industry will develop in a coordinated manner. We will pay special attention to upgrading technology in 130 large- and medium-sized enterprises, developing 500 key products, and launching an assault upon 500 key technologies in order to spur technological upgrading throughout the provinces and to enable the majority of Liaoning Province's large- and medium-sized industrial enterprises to be counted among the best in the nation within 10 years. Their primary equipment, production processes, and products need to reach international standards of the late 1980's or early 1990's. As we continue to revitalize large- and medium-sized enterprises, we must also vigorously develop county, prefecture, town and township enterprises, strive to develop 20 counties and prefectures with total output value in excess of 2 billion yuan, 200 town and townships with total output value in excess of 100 million yuan, and 1000 villages with total output value in excess of 10 million yuan. We need to increase local fiscal resources and strengthen local economies in order to enable Liaoning Province to tap its natural advantages, and to bring about new economic advances. At the same time, we must vigorously develop tertiary industries, especially those which serve the needs of production and every day lives. We must further revitalize the circulation link so that tertiary industries will account for a significantly higher proportion of total output value.

The growth rate of Liaoning's outwardly oriented economy must be clearly higher than that of industry and agriculture. We must use foreign funds, foreign-invested

enterprises, and the export of technology and labor. There must also be renewed development of international tourism.

During the Eighth and Ninth Five-Year Plans, the industrial output of Liaoning Province will grow at an annual average of 6 to 7 percent. Agriculture production will grow at about 4 percent per year. The province's gross output value will grow at an annual rate of 6 percent.

Liaoning Will Propel Its Large- and Medium-Sized Enterprises to the Forefront of International Markets

Yue Qifeng said that Liaoning is going to propel its large- and medium-sized enterprises to the forefront of international markets, so that they will accelerate the restructuring of our province's product mix, and be the new point to increase exports and foreign exchange earnings. Liaoning will also take further steps to carry out concessionary policies which will encourage large- and medium-sized enterprises to export their products so that the level of their foreign exchange earnings will be commensurate with their industry. They must also fully tap their natural advantages, set up factories in special economic zones, and carry out cooperation on many fronts. They must use borrowed land to make money, export, and develop an outwardly oriented economy. Liaoning is also going to take further steps to improve the investment climate, and it is going to attract and make use of foreign funds and know-how. Liaoning's Dalian economic development zone, the Yingkou New Port economic zone, and the Shenyang Tiexi industrial redevelopment zone will each operate according to its priorities in an effort to accelerate the pace of construction, fully utilize the various concessionary policies adopted by the state, set up foreign-invested banking organs and bonded areas as soon as possible, and accelerate opening up to the outside world. Liaoning is going to improve the investment climate for a number of cities centered around Shenyang, perfect laws governing business with foreigners, and provide efficient, high quality service to foreign-invested enterprises and enterprises which earn foreign exchange.

Liaoning welcomes people from Hong Kong, Taiwan, and everywhere else in the world to cooperate and provide opinions which will enable this progress to take place. In the midst of this cooperation and development, all parties will benefit, and Liaoning will develop even better in the future.

Biographic Information on Yue Qifeng

91CM0425B Hong Kong KUANG CHIAO CHING
[WIDE ANGLE] in Chinese No 223, 16 Apr 91
pp 50-55

[Article by Li Kuo-Ch'iang (2621 0948 1730): "Yue Qifeng—a Man Who Dares to Speak, Dares To Act"]

[Text] His style is simple and unassuming, but he is not mired in tradition.

There is a thought-provoking story in the "Autumn Waters" chapter of *Zhuangzi* called "Learning to Walk in Handan." In the story, the people from Handan walk with a surpassingly beautiful gait, and several shallow youths from Yanyi come to Handan to attempt to copy it. However, not only do they fail to learn the Handan gait, but they also forget how they originally walked. They have to endure a painful crawl back home on their bellies.

Yue Qifeng, the Man From Hebei

Although Yue Qifeng has worked for 40 years in Handan, he is neither mired in tradition nor prone to copy blindly from others.

During the course of our seven-hour interview, this writer came to feel that Yue Qifeng places a great deal of emphasis upon studying a problem before actually setting out to solve it. He thinks about a problem, discovers its real dimensions, and then thinks up flexible measures to deal with it. Once he has a clear idea of what he is dealing with, he sets out immediately to solve the problem. Through pragmatism and skill, he has achieved many successes and won the confidence of the people. Over the last several decades, he has taken many risks, solved many delicate problems, and achieved many breakthroughs.

Perhaps it is somewhat strange that Yue Qifeng was named the governor of the Liaoning Province. Liaoning is famous both at home and abroad as a heavy industrial base. Not only does the province have the steel capital of Anshan, the oil fields of the Liao River, the chemical fiber production center of Liaoyang, and a military harbor at Lushun, but in addition, it produces China's newest fighter jet and a deep sea nuclear submarine. Yue Qifeng is neither a graduate of a famous university, nor has he bolstered his credentials at the cradle of Chinese communist high-level cadres—the Central Committee Party School. Liaoning is very much a foreign place to him, but in eight months he has observed conditions throughout the province, learning diligently from his coworkers, specialists, and the populace. His report to the last provincial People's Congress was praised widely. People feel that he has a very clear understanding of the province's problems and that he has embarked upon the proper course. This gives everyone a great deal of confidence in Liaoning's future.

Outsiders Know Very Little About Him

What kind of person is Yue Qifeng? Outsiders have never known much at all. One day, Mr. Li Baozhong [2621 1405 1813], the governor's secretary, came to my hotel for a chat. When I asked him for background information and stories about the governor, or any articles that the governor had written, this highly competent secretary, who had worked with Yue Qifeng in Hebei and had now followed him to Liaoning, said

candidly, "There is nothing. He has never accepted interviews. It was really unusual for him to talk so long with you."

His Father Was a Revolutionary Martyr, and His Mother Died When He Was Three Years Old

Yue Qifeng, 59 years old this year, was born in December 1931 in Hebei Province, Daming county. "I don't even know the exact date of my birth."

When Yue Qifeng was three years old, his mother died. His father, Yue Huaizhen [1471 2037 3791], worked in the Chinese communist underground and lost his life in 1946. Yue Qifeng is the son of a revolutionary martyr.

Yue Qifeng and his two older sisters were raised by their grandmother, but she starved to death after a flood in 1943, at which time Yue Qifeng was only 11 years old.

Shi Dianqing [0670 3013 0615], a friend of his father's and a member of the puppet army, took Yue Qifeng from Daming to Tangyi, in Shandong. Although these two towns, one in Hebei and the other in Shandong, were only 40 kilometers apart, the Chinese communists had been carrying out anti-Japanese guerrilla activities in that area, and when they passed through the guerrilla district, it ignited in Yue Qifeng the flames of indignation against Japan. A few days later, he returned to Daming. In early 1944, he resolutely left his home town and went to the high-level school for anti-Japanese guerrilla activities, where he participated in propaganda work. He was only 12 years old at the time.

He Enters the Communist Party of China at Age 13

Within a year, the 13-year-old Yue Qifeng had taken the oath to enter the Communist Party of China in an old school shed in front of a portrait of Mao Zedong.

In January 1945, Yue Qifeng was working in Yuancheng county in Hebei Province. He became a member of the Yuannan work team and carried out rural land work until the Japanese were defeated.

After Japan surrendered in September 1945, the Chinese Communists rounded up all their cadres in Shandong, Hebei, and Henan and put them through training. The 14-year-old Yue Qifeng was among these cadres.

Not long after the war against Japanese aggression ended, the Kuomintang (KMT) and the communists engaged in pitched battles at the "Campaign of Pinghan" and the "Campaign of Shangdang."

In the fall of 1945, troops in the Chinese Communist Military District covering Shanxi, Hebei, Shandong, and Henan were carrying out a campaign of self-defense and counterattack against the forces of the KMT General Yan Xishan [7051 6932 1472] in the area of Changzhi (known in ancient times as Shangdangjun). The fighting was intense, and Handan was about 300 Chinese miles (about 95 miles) from the battlefield. At that time, Yue Qifeng was working in the area between Anyang and

Handan. Before the Shangdang Campaign had come to a close, Yan Xishan sent several divisions with a total strength of more than 40,000 men under the command of Ma Fawu [7456 3127 0063] and Gao Shuxun [7559 2885 0534], KMT war district no. 11 deputy commanders, to move north from Xinxiang in Henan in an effort to capture Handan and open up the Beijing-Wuhan rail line. The great Chinese communist army under the command of Liu Bocheng and Deng Xiaoping lured the enemy in deep. During the course of intense combat, 10,000 men in the newly organized Eighth Army under the command of Gao Shuxun revolted, and 17,000 prisoners were captured from Ma Fawu, the KMT deputy commander.

After the campaign was over, Yue Qifeng was stationed in the Handan middle school, where the Three Principles of the People youth club in that school was dismantled. Later the sons of Fang Zhimin [2455 1807 2404] and Yang Xiufeng [2799 4423 1496] were also stationed at this school. At that time, Liu Bocheng, Deng Xiaoping, Yang Xiufeng, and Bo Yibo [5631 0001 3134] were all working in Handan, and the headquarters of the great Liu Bocheng-Deng Xiaoping army was set up there. The great army of Liu Bocheng-Deng Xiaoping did not cross the river to attack until the 1947 wheat harvest.

At the start of 1947, Yue Qifeng was involved in work to mobilize progressive students at the school, and later he went on to take part in land reform. He observed that when poor farmers were given land, they did not dare keep it. Fearful of what might happen should the situation change, they would receive it in the morning and give it back to the landlords in the evening. Learning of this situation, Yue Qifeng wrote an article, "To Do a Thorough Job of Land Redistribution, We Must Turn Society Upside Down." With this article, he made a first class contribution to the land reform effort. After land reform ended, official work assignments were handed out. It was at this time that he encountered one of the turbulent periods in his life. Because Yue Qifeng had not been to school, he was hesitant to accept his job assignment. In addition, he had become involved in a minor dispute with a poor peasant, and surprisingly he was made a target of criticism by some poor peasants and struggled continuously for three days. Nursing a sense of injustice, from this time he began to smoke cigarettes. In 1948 his case was reconsidered and his punishment was rescinded.

Already a County Level Cadre at Age 17; Works in Handan for 40 Years

In 1949, Yue Qifeng was working at the Handan City party committee. In 1952, he was rated as a grade 17 (i.e.—county level) cadre.

In late 1952, the 20-year-old Yue Qifeng became the director of the mayor's office in Handan.

Yue Qifeng Participates in Legislation on the Organization of Handicrafts

In 1955, China was undergoing socialist restructuring. The country was vigorously establishing cooperatives and accelerating the restructuring of the handicrafts industry. Yue Qifeng became the director of a combined handicrafts cooperative. Because the cities were developing rapidly, many things were unsuited to the times. Legislation on organization was in urgent need of improvement, and Yue Qifeng vigorously set about the task of organizational legislation in the area of the handicrafts industry. This type of work carried little prestige at that time, and no one was willing to do it, but Yue Qifeng did it very well.

In 1956, Yue Qifeng became a member of the Handan City party committee, and he served as the deputy secretary general as well. At that time, the post of secretary general was vacant, and in actuality he was doing the work of the secretary general. During that year, he rose to grade 14, which was the equivalent of a prefecture or division level cadre. He was only 25 years old at the time.

Criticized in the Anti-Rightist Movement

In 1957, Yue Qifeng met with misfortune in the Anti-Rightist Movement.

As deputy secretary general of the city committee, at the beginning of the Anti-Rightist Movement he also was in charge of the Anti-Rightist Movement office. Yue Qifeng said to this writer that the Handan City party secretary at that time, Hao Tianyi [6787 3944 1763] (who later became deputy mayor of Tianjin, director of the Tianjin Advisory Commission, and passed away in 1989), handled matters in a relatively conservative manner. Because Handan was only a small town with a population of 30,000 and had no large capitalists or landlords, he did not take a series of unified measures to deal with rightists, and his attitude was relatively moderate. At the beginning of the Anti-Rightist Movement, they only carried out internal criticism sessions and did not attack anyone publicly.

Very soon, however, the pressure became too great for the Handan party committee. The Hebei provincial party committee held an anti-rightist rally in Zhangjiakou. Liu Ying [0491 5391] and Hao Tianyi both had business to attend to, so Yue Qifeng represented Handan there. Before the rally, speaking to the head of the organization department of the Hebei provincial party committee, Yue Qifeng said that the Anti-Rightist Movement was not an issue in Handan, and that it would be sufficient to pay a little extra attention to the matter in the course of regular ideological work. This department head told him not to talk that way during the rally, but he did not take the advice. His words aroused expressions of displeasure on everyone's faces. During the second rally, he further explained his reasons for saying what he had said, and the people in charge of the provincial party committee booted him out of the rally,

saying, "We don't want you at this rally! Go back and tell your committee secretary to come! Tell Liu Ying to come!" Because Handan had not taken a resolute stand in the Anti-Rightist Movement, the Hebei provincial party committee singled out Handan by name for criticism. Soon thereafter, a nationwide telephone conference was held to unify anti-rightist measures, and some "rightists" were rounded up in Handan, though there were not many of them. Yue Qifeng said that under the circumstances, there was no other choice.

Reporting to Zhou Enlai During the "Go All Out for Steel Production" Movement

In 1958, China embarked upon the Great Leap Forward. Handan was a key city in the "go all out for steel production" effort. Years of experience had sharpened Hao Tianyi's and Yue Qifeng's powers of observation. They did not agree with many of the popular sayings of the times, such as "run full speed ahead towards communism." At that time, Handan was primarily involved in steel production. The target was one million tons. They did indeed smelt steel in blast furnaces, and smelted molten iron. They set up 255 blast furnaces. At that time, Yue Qifeng served concurrently as the director of the "go all out for steel production" office. Later he was transferred to work for the office of the party committee in the Handan City Metallurgical Industry Bureau. The steel industry in Handan at that time did in fact develop. Mao Zedong and Liu Shaoqi all came to study conditions in Handan. Zhou Enlai also came to Handan in June of 1959. Yue Qifeng had even reported to Zhou Enlai on his work conditions at the Sufeng Tujiiao factory in Fengfeng. He also took a picture with Zhou Enlai. Because the prestige of Zhou Enlai and the other leaders was so great at that time, Yue Qifeng said that he was very nervous when he met with him, and he did not know what to say, but Zhou Enlai said a few words and the atmosphere became very relaxed. These leaders were indeed very able men.

During the three years of hardship, industry in Handan underwent restructuring. Between June 1962 and June 1964, Yue Qifeng served as the secretary of the party committee at a ceramics company. The company's yellow river kilns, in Pengcheng, had been famous since the Song Dynasty. It is said that the blue flower porcelain of Jingdezhen originated here in Pengcheng, but by the time Yue Qifeng had taken charge of the ceramics factory, this industry had basically gone out of business in that area. Yue Qifeng felt very badly about the situation because of the industry's long and illustrious history, and he was determined not to let the industry disappear on the Communist Party's watch. He got together with some of the old masters at the site, and studied the situation. They went out and shattered a lot of old, substandard molds. Within a half year, the problem of quality had been resolved, and many bad habits in the local kiln industry had been eradicated. Now, Pengcheng Ceramics are among the best in the nation. In Hebei, Tangshan Ceramics is number one, and Pengcheng Ceramics is number two.

Knocked Out of Action During the Cultural Revolution, Makes Comeback in the 1970's

In 1964, Yue Qifeng participated in the "four cleanups campaign" in Shijiazhuang. In August 1966, he was made deputy secretary of the Handan City party committee. At the beginning of the Cultural Revolution, he took exception to some of the Red Guard banners which called for overthrowing the old cadres, and when he spoke out for fairness, he was very nearly branded as a counterrevolutionary. Later, he was forced aside, and on 24 September 1969, he was sent to a small village in Handan which Mao Tse-tung had once visited, and there he underwent reform. The peasants there were very good to him. In early 1970, he was named the deputy director of the Chengan County Revolutionary Committee, and later he was once again sent to the Handan Prefecture, where he was named head of the heavy industry bureau.

Soon thereafter, Zhang Chengxian [1728 2110 0341] (1915-), former secretary of the Hebei provincial party committee, was named the first secretary in Handan, and he chose Yue Qifeng to serve as director of the office of the Handan prefectural party committee.

Rises to First Secretary of the Handan City Party Committee in 1977

During his stint at the office of the Handan prefectural party committee, Yue Qifeng was put in charge of solving problems in Handan's steel factory. He stayed there for four years until the smashing of the gang of four. Afterwards, in February 1977, he was promoted to first secretary of the Handan City party committee.

During the "Criticize Deng" period in 1975, the rebel faction attempted to settle an old score with Yue Qifeng by "rehabilitating" a person whom Yue Qifeng and Hao Tianyi had earlier kicked out of the Handan steel factory. Yue Qifeng and Hao Tianyi consulted with Zhang Chengxian, who felt that "rehabilitating" the man would lead to chaos. They decided to stall on the matter, and settle it a few months later. Luckily, the gang of four was smashed in October 1976. Yue Qifeng was promoted and took charge of all work in Handan City.

Yue Qifeng worked in Handan for 40 years and feels great affection for the place. However, running a city at that time was no easy matter. Securing food, shelter, and daily necessities was a problem, and one can imagine the pressure facing the top man in the city.

The people in Hebei at that time often repeated a little rhyme: "Liu Zihou, Liu Zihou. Why give just three ounces of cooking oil?" Liu Zihou [0491 1311 0624] at that time was first secretary of the Hebei provincial party committee and director of the provincial revolutionary committee (i.e.—provincial governor). Although this rhyme was directed toward Liu Zihou, it did in fact reflect the everyday hardships of the people and the severe problems in the supply link.

Yue Qifeng, 46 years old at the time, racked his brains trying to think of ways to take care of the daily needs of the masses. It took 1,000 pigs per month to supply the necessary meat and lard for the people in Handan City. Pigs were in short supply at that time, and as the top man in Handan City, the first problem that Yue Qifeng had to deal with was the problem of daily necessities. He once said, "If anyone can assure me a supply of 1,000 pigs per month for Handan, I will kowtow to him!"

It Took Much Ingenuity to Solve These Problems

The people of Handan City liked to eat deep-fried crullers and drink soybean milk for breakfast in the morning, but there were none to be found in the city. He noticed that there were crullers on sale in the countryside, so he sent several trucks out every day to buy crullers from the peasants. Later he went further, and simply had the peasants come into the city to sell their crullers. A total of 80 households came into the city. After the peasants came into the city, they resolved many everyday problems. Yue Qifeng's decision to act in this manner represented a very bold reform and breakthrough at that time.

Gao Yang [7559 2254] Supports Yue Qifeng; His Career Moves One Step Forward

In 1980, Yue Qifeng was promoted to grade 13. At this grade, a Chinese communist cadre begins to be considered high ranking.

At that time, the highest ranking members of the Hebei provincial party committee were split into two factions. Although Handan was not split along the same factional lines, work nevertheless was difficult to do. Because of the factional split at the highest levels of the provincial party committee, the Hebei economy suffered while the economy of neighboring Shandong moved forward.

In order to resolve the problem in Hebei, the Chinese communist central leadership took decisive action by sending the 73-year-old Gao Yang (1909-) to Shijiazhuang to serve as first secretary of the Hebei provincial party committee. In 1982, a certain faction in the province interfered in every way possible with efforts in Handan to carry out central government policies, and it became difficult for the Handan government to carry out its work. In order to break out of this situation, Yue Qifeng and various responsible people on the city party committee discussed the matter and everyone came to the unanimous opinion that they would need to discuss the matter with the newly arrived secretary, Gao Yang. After studying the matter, Gao Yang came to the conclusion that the people in Handan were seriously trying to carry out the decisions of the central leadership. Yue Qifeng said to this writer, "From that time onward, my work became much easier!"

In 1979, three years after the great earthquake of Tangshan, Handan was instructed to send construction teams to Tangshan to put up 80,000 square meters of floor space. Handan sent out construction company no. 2, but

by April they had only completed 20,000 square meters, and then they asked for 300 more wall masons to come to Tangshan. Yue Qifeng decided to take a few people with him to Tangshan to study the situation. When he got there he discovered that the people there were all very young. They were living in makeshift dwellings made of canvas, tin, and anything else available. Although they ate well, there were no recreational activities, and the workers were going crazy from boredom. Yue Qifeng decided on the spot to have one person do the work of two, and to double their wages. Cadres were also given bonuses, with the result that everyone worked with renewed energy and the construction project was finished ahead of time. The construction company made money, and the high ranking officers in the company did not line their own pockets with it but reinvested in the company. The central government later learned of this reform and issued high praise.

Yue Qifeng Becomes Secretary of the Tangshan City Party Committee in 1984

In 1984 Yue Qifeng was transferred to Tangshan to serve as secretary of the city party committee. At that time, Tangshan had the strongest economy in Hebei Province, but its politics were the most chaotic. Conflict had raged unabated for years, and factionalism was a serious problem. After the smashing of the gang of four, "the three bad types" were singled out. During the "carry out the policy" period, individual leaders acted in their own self-interests, dealt with matters unfairly, and took advantage of the rehabilitation program to attack certain people, with the result that they laid the seeds for many complex personnel problems. The leadership group was not unified. The result was that they did not take vigorous action to resolve the problems caused by the great earthquake, yet the factions struggled incessantly. The person serving as the secretary of the city party committee at that time was unable to resolve these complex problems. Gao Yang decided to transfer Yue Qifeng from Handan to Tangshan to take care of the problem. Gao Yang told him, "You going to Tangshan is much like me going to Hebei years ago. You'll have to work hard."

Wang Zhaoguo [3769 0340 0948] Says Yue Qifeng Has a Good Reputation in Tangshan

Yue Qifeng worked in Tangshan for two years and three months, and he left a very deep and favorable impression with the people there. Wang Zhaoguo presently serving as director of the Taiwanese affairs office in the State Council, once said to Yue Qifeng, "I was in Tangshan for a few days recently, and all the people there said a lot of good things about you!" Yue Qifeng responded, "Well I would not go around doing misdeeds in your own hometown!"

In order to help Tangshan recover and to enable it to get on with new development, Yue Qifeng studied the city for three months to get a clearer picture of how things stood, and he formulated a program. In fact, by the 40th

day of his investigations, a concrete idea was already forming in his head: It would be absolutely necessary to establish a strong leadership group. He told Gao Yang that he wanted the Hebei provincial party committee to allow him to make a report to them. Gao Yang gave total support to his report, and felt that no one in the past had ever spoken so incisively upon the problems in Tangshan.

Tangshan City built many residences, but some people, after moving into their new apartments, were unwilling to leave the temporary earthquake huts that they had been staying in for eight years, because by staying there they could continue to receive government assistance.

When Yue Qifeng went to Tangshan to take his new position in April 1984, 40 percent of the population still lived in makeshift huts. Some people refused to let their makeshift huts be torn down even after they had moved into new housing, thus impeding traffic, harming public health and management, and posing a great obstacle to economic development. One particularly unreasonable household put up their makeshift hut right in the middle of the entrance to a hospital, and the people there had no choice but to find another way in and out.

How Is One City To Manage 10 Counties?

In May 1983, Tangshan City began a new administrative arrangement in which the city was put in charge of 10 counties with a total population of 6.08 million. Yue Qifeng said that the system there was similar to that in Anshan (Liaoning Province). At that time, there were conflicts between the counties and city, and the relationship between them was strained. The people in rural areas had three worries: first, they were worried that the city government would neglect rural villages, neglect agriculture, and that it would be difficult to solve rural problems; second, they worried that the cities would milk the rural areas for funds and materials, and that the system of cities managing counties would actually become a matter of "cities giving counties the shaft;" third, they worried that a 10-county area was too big for a single city to manage effectively, and that the city government would make a mess of county affairs. The cities, for their part, also had three worries: first, they worried that they would have to prop up agriculture without getting anything in return; second, they worried that if urban products were to spread to the countryside, it would affect the reputation and markets of enterprises; third, they worried that township enterprises would make it difficult for large industries to obtain energy resources and raw and semi-finished materials.

Furthermore, in view of the fact that factional strife had been going for a long time unceasingly in Tangshan City, it is especially remarkable that Yue Qifeng was able to achieve what he did in such a short time.

After Yue Qifeng arrived in Tangshan, he began his assignment by persuading people who were living in illegal makeshift huts to vacate them, then he began to move them out in blocks. He paid no attention to who

had what powerful supporters behind them. When it was time to move, those who had to move had no choice. Those who broke laws and disobeyed discipline were detained. A nettlesome problem which had been around for years was solved almost overnight; the work progressed at incredible speed. At the same time, it was ruled that individuals could build their own houses, and housing construction in Tangshan took off vigorously.

The problem of putting a city in charge of several counties was also resolved in a relatively satisfactory manner. The resources in the rural areas as well as the funds, technology, personnel, equipment, and managerial expertise present in the city were all put to the greatest use, and each was managed separately, with the result that mountainous areas, coastal areas, plains, and suburban areas all found ways to become rich. Tangshan did not set up barriers to prevent its products from being sold in other areas. On the contrary, Tangshan adopted a policy of "looking toward the three norths" (northern China, the northeast, and the northwest) and "making money in all four directions" (Beijing, Tianjin, Tangshan, and Qinhuangdao). Peasants gained a greater understanding of commodities and became more skillful at operating as businesses. Equal emphasis was placed on the city and the countryside. Each county enjoyed autonomy, and within a few years, Tangshan was achieving true development. The city and the counties became quite unified, and now Tangshan's development is the fastest in Hebei Province.

Transferred To Serve as Deputy Secretary of the Hebei Provincial Party Committee in July 1986

In July 1986, Yue Qifeng was transferred to serve as deputy secretary of the Hebei provincial party committee, and in May 1988 he became governor of Hebei Province. From 1986 until he was transferred in mid-1990, he spent four full years working in the Hebei provincial government.

In 1988, the former governor of Hebei, Xie Feng [6043 1496], retired. Who would become the next governor? The Central Organization Department went to Hebei to study the situation. More than 600 people were recommending that Yue Qifeng be made the next governor. However, at that time, people at high levels in the central leadership were thinking of transferring Yue Qifeng to become the secretary of the Qinghai provincial party committee. Yue Qifeng was called to Beijing, where he was interviewed at Zhongnanhai. There he apprised the central leadership of the situation in Hebei, and they ended up keeping him in Hebei. Later, the Hebei provincial party congress elected him to the governorship by a nearly unanimous vote (there were only seven votes in opposition).

During this time, he mainly did two things:

1. He did everything in his power to preserve unity within the Hebei provincial party committee. For several sessions now, the provincial party committee has worked in unity, and this session was the best of all.

2. He worked to achieve economic development.

Economic development in Hebei was fastest during this period. Grain production during these five years reached a new plateau. In 1988 and 1989, grain production in Hebei reached 40 billion. In 1990, it reached 45.5 billion jin, and the output value of township enterprises reached 10 billion yuan.

Resolving the Problem of Competition for Land Between Cotton and Wheat by Implementing Integrated Cultivation of the Two

Agricultural development in northern China is faced with a difficult problem—the competition between cotton and wheat for land. What should be planted on China's limited cropland? How is the decision to be made? This dilemma has plagued Hebei Province for years, and there have been many instances where cotton production was scaled back in favor of wheat or vice-versa. After studying the problem with specialists and people from agricultural departments, Yue Qifeng managed to come up with an integrated cultivation technology for cotton and wheat. In a single piece of land, wheat would be planted between cotton rows, and when the wheat was soon to mature, peasants would race to plant cotton between the wheat rows. In this manner the competition between cotton and wheat for land was resolved. This cultivation method is now being popularized throughout Hebei Province.

People abroad in the past have known very little about Hebei Province. During the course of opening up to the outside world, Hebei performed the poorest when it came to attracting foreign funds. Liaoning Province is more well known abroad, and it is more suited than Hebei to an outwardly oriented economy. Opening up to the outside world and selling Liaoning to foreigners is now one of the most important aspects of Yue Qifeng's work.

Simple Lifestyle, Frequently Works Late Into the Evening

Yue Qifeng was a delegate to the 10th, 11th, 12th, and 13th Communist Party Congresses. He worked in Hebei for 46 years, 40 of those years in Handan, two in Tangshan, and four in the provincial capital of Shijiazhuang. During his final two years in Shijiazhuang, he served as governor. In 1990, the Chinese communist central leadership adopted its program of cadre rotation. Yue Qifeng feels that rotating cadres is a good thing because sometimes an outsider can see things more clearly. When a person works in one place for a long time, he gets used to things the way they are, and a new person sometimes has sharper insights. Also, being transferred is good training for a person, because it can force him to change fixed habits.

Yue Qifeng stressed that he is not operating in a straight-jacket in Liaoning, nor was he subject to any onerous restrictions in Hebei. He has always distributed job assignments to his cadres fairly, and friendship between

coworkers has always been based completely upon work and ideals. "At home, we don't have any servants. I don't make the meals, but I am not picky about what I eat either. I eat whatever they give me!" The provincial governor's salary is over 300 yuan. He says that does not go as far as 100 yuan did in the 1950s. His home has five rooms and one office because he is accustomed to working at night.

Huang Zhou Sums Up Yue Qifeng in Two Lines of Poetry

After looking back upon half a lifetime of experience, Yue Qifeng summed up his life to this reporter in two points: "First, I am a typical jack-of-all trades; second, I concentrate on the job at hand. I don't bow and scrape to anyone, but the people say that I dare to speak the truth and that I am a fair official."

The famous painter, Huang Zhou [7806 5153], who is also from Hebei Province, once summed up Yue Qifeng's personality in two lines of poetry: "A life of hardships, never a complaint."

Everyone in Yue Qifeng's Family Is a Regular Worker

Yue Qifeng's wife, Tian Shuyun [3944 3219 0061], was born in 1932. Her ancestral home is in Handan. Yue Qifeng said, "Since getting married in late 1952, she has stayed with me through all our hardships. In 1985, a year after I went to work in Tangshan, she retired. Now she takes care of things at home." Yue Qifeng has four children, two grandsons, and two granddaughters (each son and daughter has one child). There are 10 people in the extended family, and they live in Shenyang, Tianjin, and Shijiazhuang. He says that they are all regular workers, and that they are not big officials, nor have they gotten involved in big business.

His oldest child, a son, was born in 1954. He studied chemistry, and now he works in the Tianjin Chemical Industry Bureau where he serves as head of the equipment and power department. It is worth noting that his wife is the daughter of Yue Qifeng's old boss and comrade-in-arms, Hao Tianyi. The families of Yue and Hao, which were already great friends, are now related through marriage. Yue Qifeng's daughter-in-law now serves as head of the Foreign Economic Relations Department of the Tianjin Electrical Machinery Bureau.

His second child, a daughter, studied medicine, and she now works at customs in Shijiazhuang. Her husband graduated from Tangshan Coal Medical College and works in Shijiazhuang.

Yue Qifeng's third child, a daughter, works at Hebei Province's Foreign Trade Clothing Company. Her husband is with the People's Liberation Army in Shijiazhuang, where he serves as head of the operational training department.

His fourth child, a son, was born in late 1962. He is now employed as a worker in Shijiazhuang. His wife also

works with the provincial government as a regular employee of an insurance company.

Yue Qifeng also has two older sisters who are living in the countryside in Hebei.

NORTHWEST REGION

Common Turkish Culture Contention Challenged

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[Article by Liu Bin (0491 6333): "Common Culture Theory Implications—Criticism of the Cultural Outlook of Three Books Including *Ancient Uygur Literature*"]

[Text] Some startling similarities often occur in history.

In 1856, when pan-Slavism was running rampant in Europe, Marx and Engels criticized a book titled *History of the Language and Literature of the Slavs* that Aixihuofu [name as published] had written. Marx said, "It is a book that is rotten through and through." He angrily denounced him for saying that some eastern and southern European peoples were Slavs, saying: "Isn't this perfect nonsense?" Engels satirized Aixihuofu in biting language as a "fake philologist." (*Complete Works of Marx and Engels*, Vol 29, pp 22-24, 31).

The pan-Turkish trend of thought that appeared at that time, had a substantial influence on pan-Slavism in both "theory" and methodology. For more than a century, amazing historical similarities repeatedly appeared. Today we see Turghun Almas' three books titled *Ancient Uygur Literature*, *The Uygurs*, and *A Short History of the Xiongnu*. When we see these books openly declare that the ancient Xiongnu, Xianbei, Huige, Rouran, Sai, Tartar, and Khitan people were all "Turks," we quite naturally think about Marx's and Engels' past criticisms of Aixihuofu. Additionally, we go on to realize that these absurd tales and weird theories are not the "inventions" of the writer of these three books, but rather have been "plagiarized" and "pirated" from elsewhere.

Although the international pan-Turkish political movement has been repeatedly defeated during the past half of the century and more, the cultural pan-Turkish trend of thought remains strong in certain countries and territories. During this last decade of the 20th century, this reactionary trend of thought is raising its head anew in certain places in the world. The trilogy that includes *The Ancient Literature of the Uygurs* is a product of this international climate.

Where To "Look for Roots"

Quite a few pages of the trilogy that includes *The Ancient Literature of the Uygurs* is devoted to culture. Fabrications, falsehoods, preposterous assertions, farfetched analogies, and deprecations, which seriously distort cultural history, show an anti-Marxist and absurd view of culture. The book is filled with errors and muddled

thinking, and it is self-contradictory in many places. The writer runs off at the mouth, rambles on irrelevantly, and has a confused notion about his ancestors.

The writer says that the "Xiongnu, Uygurs, and Turks are fellow countrymen." The "Xiongnu are the most ancient ancestors of the Uygurs." He also says that the ancestors of the Uygurs are the "Turas," and that the "Turas," are the separate tribes of Huige, Kankalis [a Kirghiz people], Tiele, Chile, Gaoche, and Dili. They are also Turans, Sais, and Turks. He also says that the Oguz are a branch of the Huige; thus the ancestors of the Uygurs are the Oguz. Then, using the dictionary translation of "Oguz," he says that "the Oguz are Turkmen." The author interprets the Sais to be "Yakuts." In *The Ancient Literature of the Uygurs*, he also says that "the Persian epic, *Shah-nama* [The Book of Kings], holds important significance for understanding the history of our ancestors," and in the appendix to the book, he inexplicably includes a table showing the succession of 33 ancient Persian shahs. As a result of this sort of rashness on the part of the author, despite their long and clear-cut history, the Uygurs of ancient times become a mob of uncertain mien, drifting from place to place, who are sometimes confused with other ancient peoples or tribes. Is not such a portrayal an insult to the Uygur people?

From the author's historical perspective, the Uygurs have no defined "roots" of their own. They do not move in a historical orbit that converges with the great family of the motherland. They have numerous ancestors that clash with each other everywhere on the Eurasian continent. Their historical activities are encompassed in the activities of the Xiongnu and the Turks. Their entire history is in the history of the so-called 11 empires on the Eurasian continent. Can it be that such a distorted history of one's own people deserves to be termed an ardent love for one's own people. It is not at all strange that pan-Turkists outside China write about the history of the Uygurs as a branch of "Turkish history." What is strange is that a Chinese also imitates them with ludicrous effect. Is he trying to establish a healthy sense of identity in his own people to propagate a national tradition, or does he want to "evoke the historical glory of the Turks"?

From the theoretical standpoint, the writer departs from the Marxist view of nationalities to use reactionary bourgeois racism to treat the formation of nationalities. The writer says straightforwardly that "A full explanation of the origin of the Uygurs requires discussion of the kinship relationship between the Uygurs and the Xiongnu, Saizhong, and Turkish peoples." He also says that "the Uygurs are technically identical with the Turas, the Xiongnus, the Sais, and the Turks." Leaving aside for the moment the differences in the study of ethnography to speak only of nationality and race, are these one and the same? Marxism holds that a nationality is a historical category; it is positively not an "ethnic group" determined by kinship and original language. The formation of a people has to go through a complex historical

process in which many races and many tribes take part, and it is expressed in different types during different historical periods. As an ancient people in China possessing a detailed historical record, what direct relationship do the Uygurs have to the so-called Xiongnu Empire in Europe, the White Xiongnu (Tartar) Empire, the Jiaseni Dynasty, the Great Suljuk Sultanate, and the Huacizemo Kingdom? It is racist theory that makes the writer part company with Marxist nationalities theory to declare brazenly: All the above ancient kingdoms in Europe, Asia, and Southwest Asia "were built by our ancestors and compatriots."

In doing historical research, the writer adopts an extremely absurd methodology. For example, he uses myths, tales, and folk songs to validate the weaving of history. In order to demonstrate that this "Turkish hero," and this "king of the Kingdom of the Sais," Afulaxiyapu [name as published], is "one of our ancestors" who is a "real person," he bowdlerizes the Persian epic, *Shah-nama*. The first section (myths) of the *Shah-nama*, and the second part (tales of valor) are generally acknowledged to be "pure myth and tales." Only the third section (historical stories from the Sasan Dynasty) is "fairly consistent with historical fact." The depiction of Afulaxijinpu appears in the second section. An explanatory note to *The Complete Works of Marx and Engels* says explicitly that this person is "a character in ancient Iranian tales." Turghun Almas first combines the second and third sections of the three book *Shah-nama* (The Complete Work is 837 pages in 28 volumes), declaring that it is divided into only "two parts," after which he asserts that the first part is "tales of events," and that the second part is so-called "historically true events." He also says that Afulaxiyapu is a real person. Can this be termed scientific research? Both Chinese and foreign scholars have pointed out that the story in the *Shah-nama* about Afulaxiyapu leading the "people of Turan" in an attack on Iran with the help of the Chinese emperor is "obviously lacking any historical basis." The author keeps this a closely guarded secret, not mentioning a single word of it.

He also cites as evidence three ballads in the *Turkish Dictionary* to show that Afulaxiyapu was a real person. He dates the ballads to the seventh century BC (which was at least 1,700 years before Mohammed Kashgari collected them). If we accept his conclusions, his assertion that "The Xiongnu were the oldest ancestors of the Uygurs" cannot stand, and will have to be changed to "Turks" (or Saizhongs). This is because the author himself admits that "it was not until the beginning of the third century BC" that the Xiongnu appeared on the stage of history. Yet, here he says that 400 years before the Xiongnu (in the seventh century BC), "our ancestors" were the "Turan people" in a tale. Notice that the author does himself in! But that is not the end of the matter. The author declares that "we have 8,000 years of history." Then who were the "ancestors" before the seventh century BC? In paging through his trilogy, the answer cannot be found, of course. For the history of an

ancient fraternal people in our country to be "researched" to this pass is truly a "sorrow"?

In the trilogy, the author says that the Oguz Khan portrayed in "Tales of Oguz Khan" is the Xiongnu chieftain Baghdur, but the tale and historical fact are completely at odds with each other. According to the tale, Oguz Khan battled in Europe, conquered India, and subjugated Syria, but the historical record of the chieftain Baghdur (? - 174 BC) contains no such account. Thus he quotes as historical evidence a letter contained in *Account of the Xiongnu in the History of the Western Han Dynasty* that the Xiongnu leader wrote to Han Wendi in 176 BC that said that "Loulan, Wusun, Hujie, and the 26 kingdoms of Qipang are Xiongnu." He states that in 177 BC the Jenuye Baghdur [Jenuye is the Turkish form of the Chinese Shanyu, meaning emperor] "subjugated the basins of the seven rivers, and the kingdoms of central and western Asia." Actually, the historical record shows that the 26 kingdoms of Qipang refers to all the walled cities and nomadic tribes in the western territory at that time. It definitely did not mean kingdoms in western Asia. According to him, it took the Jenuye Baghdur only "one year" to conquer virtually half the world, including sending a large army of men and horses from "Deuman City (modern day Huhhot) to the western territory. This would be difficult to accomplish today to say nothing of the difficulty it would pose for ancient "arrow-shooting peoples" doing it on horseback!

The author also does as he pleases in explaining geographical concepts. In order to enlarge the scale of the Uygurs historical movement, he completely disregards the historical fact that the term "Gansu" is made up of the first syllable of the two names "Ganzhou" and "Suzhou." He arbitrarily states that Gansu derives from the Turkish word "Kansu" (meaning broad waters) to show that Gansu has been Turkish territory since ancient times. As another example, he followed his own wishes in saying that the "Turan Plain" was the boundless tract extending from the Kedeerhan Shan (the modern day Great Khingan Range) to the shores of the Black Sea. His absurdity can be seen in his concept of a "plain" which includes landforms such as the Altai Mountains, the Tian Shan, and the Pamir Plateau. In their works, both Marx and Engels several times referred to the "Turan Plain," and in his *Short History of the Xiongnu*, the author quotes a passage about the "Turan Plain" from Engels' *Origins of the Family, Private Ownership and the State* in an effort to show that the area north of the desert was the habitat of the Xiongnu. But he errs egregiously, because in historical geography the term "Turan Plain" applies to "the vast area of southwestern Kazakhstan and the northwestern part of Uzbekistan and Turkmenistan. It rises in the Kazakh highlands and connects eastward with the Tian Shan and the foothills of the Pamir-Altai mountains, going southward to the Carpathian range and westward to the Black Sea." It was in this sense that both Marx and Engels used this term.

The arbitrariness that the author displays throughout is a sort of anti-history attitude that makes this trilogy into a mish-mash. The three books show the author's intent to seek new "roots" for the Uygurs. Where are these roots? The writer attempts to show that they are not in China's historical domain, not in the history of China, and not in the great family of the Chinese people. Pan-Turkists outside China propagate the notion that 16 ancient empires on the Eurasian mainland are the "roots" of all "Turks," and the author selects 11 of them as "roots" of the Uygurs. Can this be coincidence?

Such a "Common Culture"

When one blurs the historical features of a people, he blurs the main body of creators of a civilization, so it is very difficult to expect that a full and accurate explanation of a people's culture will come out of this. The work titled *The Ancient Literature of the Uygurs* (totaling 375 pages) devotes only 108 pages to the literature of the people, which is a very small number. Conversely, many more pages are devoted to discussion of a Persian epic, Xiongnu ballads, and Han myths, poems, and songs as well as to the folk songs of many ancient northern peoples. The reader cannot help but conclude that the author does not truly understand the unique culture of his own people. His head is filled with a concept of so-called "shared culture."

The writer declares: On the basis of rock drawings found on the banks of the Moqier River, the Turans, the Xiongnu, the Sais, and the Turks are racially one people. The culture that these people created is basically the culture of a single people. The use of rock drawings to prove that ancient peoples are "one people" can only be described as a great invention. How can rock drawings demonstrate nationality? Can the author believe that commonly inherited genes can be found in rock drawings? To say categorically that this is the "culture of a single people" is even more absurd. It seems that the author does not understand at all that rock drawings are human creations from the period between the age of barbarism and civilization. Not only does he mix up one people with another, but he mixes up primitive culture and clan culture with the culture of a people, fabricating a cultural concept based on "race." Not only does this challenge the Marxist materialist view of history, but it also challenges true science and cultural history.

The so-called "common language" is the author's attempt to show an important basis for the "common culture." Thus, it is necessary to clarify certain misunderstandings about the "Turkish language." Pan-Turkists always say that Turkish is a "common language" as though such a language truly exists.

A people's language is an outgrowth of the historical process of a people. It is a differentiation from a primitive language that develops through separate historical stages of clan and tribal languages and the language of the people in ancient times. It goes through a process of numerous kinds of changes before it is shaped. To a very

large extent, it is limited by the development of productivity, economic life, and even the regional environment. The separate peoples who formed a national language positively cannot turn back the clock of history to interact with each other through the original language.

Therefore, what we call the "Turkish language" today holds only two connotations: The first is in the sense of the substance of the language in which Turkish applies to the original language of the people concerned. The second is in the methodology for studying the typology of language, which pertains to the language group to which a people's language belongs. It means this and nothing more, so how can one say that Turkish is a "common language" that separate peoples can use at the same time?

For more than a century, Pan-Turkists have been cudgeling their brains to find a "common language" to use, but they have failed in this. Right up until 1990, there were still some pan-Turkists abroad who called for a "unified language," because they realize that modern "Turkish" is tens of different kinds, and "is written in 30 different writing systems." Clearly, there is no common "Turkish language" today. Only when a language is used in the building of a specific culture can it be of significance in reflecting cultural traits. Marx believed that language is a main element of a people, but not the only one. It is a feature of a people's culture, but not the only one. Language alone is not enough to make a people, nor can it fully reflect a people's culture. Different peoples using the same language to create different cultures, and different peoples using different languages to create the same culture can frequently be found in history and also frequently be found in the real world everywhere. The author exaggerates the role of language to an extreme, making it a natural prerequisite for the "Turks" and a "common culture." Not only is this completely at variance with Marxism, but it is also really a long distance away from materialism!

Marxism has never denied the commonality of human civilization. He likewise treated these phenomena as objects for his own study. However, Marxism opposes time-transcending, history-transcending, class-transcending and non-ideologized study of civilization separate from a certain historical stage, separate from a certain socio-economic foundation, and separate from a concrete historical context. Marxism's basic requirement is likewise to make a concrete analysis of concrete problems in a specific historical context. Among certain (not all) Turkish language speaking peoples, many express common characteristics in terms of concrete spiritual and cultural content. For example, their languages are close; their religious beliefs are the same; their customs and habits are similar; and the people share a common cultural legacy, etc. There are numerous complex historical reasons for the rise and existence of these phenomena, such as similar economic and social development modes and the introduction of the same religion during certain historical periods and in similar historical contexts, as well as diffusion resulting from similarity in

language and proximity of areas of residence. What Marxism requires of all these phenomena and their reasons is concrete study and concrete conclusions rather than sweeping generalizations such as "common culture." Marxists maintain at the same time that the commonality of the cultures of all peoples up to the present time has been an outgrowth of history. It is not solid and immutable; it has to be developed and renewed. As historical conditions change, some of the cultural commonality among the various peoples concerned will gradually weaken and evolve, and in the new environment, the culture of the various peoples concerned will gradually realize the unity of a new commonality and individuality. This is the dialectic method in the history of the development of civilization that no one's subjective will can resist.

"Wuerkaerte-[name as published] Style" Mentality Inflation

During the last half of the 19th century, when the pan-Turkism ideological trend first appeared, both Marx and Engels criticized an Englishman named Wuerkaerte on many occasions, calling him "mad Wuerkaerte." (*Complete Works of Marx and Engels*, Vol 28, pp 221-222, pp 324-325, and pp 614-615). Engels revealed that this man was an ardent worshipper of the "Turks" who advertised everywhere that the Ottoman Turks "are, without exception, the most perfect people in the world in every way," and the Turkish language "is the most perfect and the most beautiful sounding language in the world." Turkey is a paradise. Only in Turkey can one be free, and only in Turkey are there gentlemen, etc. Marx criticized him saying: "He is a romantic reactionary, and a consummate Turk who wants to use Turkish methods and the Turkish system to transform the entire occident."

The racial superiority that Turghun Almas preaches today in his trilogy shows an abnormal, unhealthy, and extremely inflated mentality that is that of Wuerkaerte. Actually, what the trilogy peddles is *The History of Eastern Turkestan*, the same old and reborn trash of pan-Turkist historical cultural works. The only difference is that in order to be more veiled, these three books frequently substitute the ambiguous term "our ancestors and compatriots" for the word "Turks" which the pan-Turkists frequently use, thereby hoping to hoodwink the public. When we read the author's inflated statements that "ancestors and compatriots" founded 11 "magnificent, powerful, rich, and civilized countries" in the history of the world; that the Uygurs and their compatriots played an important role in the history of the Turkish, Persian, and Indian people; and that "they roared like lions on the Asian stage, and powerful armies all around were poised against their threat," etc. We can fully imagine that if the forerunners of Marxist theory were to see these words, what sharp, biting, and merciless language they might use to roundly attack them!

Fallacious support is always absurd. The author declares that "ancestors and compatriots" had an 8,000 year

"written history," and a 7,000 year history of agricultural civilization. However, all modern science teaches us is that 7,000 years ago mankind was still in the "pre-history period." The author himself provides not a shred of evidence on this point which is in most need of verification. We are perfectly aware, however, that the statement about 8,000 years of history was raised half a century ago by the pan-Turkists, but they meant the so-called "history of Turkish civilization."

The author states: "Our ancestors who emigrated 8,000 years ago from the Tarim Basin via the Ladak road to northern India influenced the ancient indigenous culture of the Dravidians."

This is a purely fictitious fabrication. Nowhere in the historical record of China or other countries can evidence be found of a large migration of the Uygurs 8,000 years ago from the Tarim Basin across the Pamir Plateau to the west and southwest. India's earliest civilization appeared between 2500 BC and 1500 BC, historical relics found at two sites in India's river basins providing the proof. According to the studies of Indian cultural historians, the upper limit of Dravidian culture can be pushed only to 1000 BC. None of the large quantity of cultural relics from the Sangjiamu [name as published] period show influence of the "Turks," or the "Huigu" [as the Chinese termed the Uygurs" in ancient times].

The author states: "During the northern dynasties [356-581] in Chinese history, a number of Huige folk songs still existed in the *Collected Songs of the Official Conservatory*."

This statement pretends to be serious, but is rather deceptive. The fact is that not a single stanza of a so-called "Eastern Huige folk song" appears to be, or can be verified as being a "Huige folk song" in the *Collected Songs of the Official Conservatory* of the northern dynasties. The "Chile Song," that the author cites as an example (his rendition is "Tura Song"). The historical record shows conclusively it was "originally in the Xianbei language," and translated into the Han language during the Northern Qi Dynasty [551-577]. The author says however, that "Hulujin wrote it in an Uygur language, possibly ancient Orkhon, which a poet subsequently translated into the Han language." The historical record shows that Hulujin was a general under Eastern Wei commander Gao Huan (who subsequently became Shen Wudi of the Northern Qi), but the author insists on calling him a poet and a person of influence in state affairs.

In academic study, the issue of to which nationality the "Chile Song" belongs can be looked into. However, what are the author's credentials for engaging in academic inquiry? He obviously fabricates history flagrantly!

He translated the "Chile Song" as "Tura Song." Please note his translation of the word "Tura." "Tura," is a term that is sometimes used as a collective name for the eastern Huige, and sometimes it is the collective name applied in medieval times [the third to the ninth century

in China] to all of the Turkish tribes in the vast territory stretching from Kang'ai Shan in the east westward to the Black Sea and the Caspian Sea. This is not to mention the absurdity of his explanation of "Chile." By extrapolating the author's logic, the "Chile Song" can be transformed from a "folk song of the Eastern Huige" into "a shared legacy of the Turkish people." This is not something new; people tried it long ago. Do not the cultural history works of foreign pan-Turkists use similar methods to characterize the "Chile Songs," the "Ballad of Mulan," "The Song of the Broken Poplar and Willow", and "Xiongnu Song" etc. as "ancient Turkish songs"?

The trilogy contains countless other mistakes of the same kind. "Ardent feelings" distort the mind. When the author discusses ancient world literature, unexpectedly he says that the *Iliad* and the *Odyssey* of ancient Greece; the German epic, *Nibelungenlied*; the French epic, *Chanson de Roland*; the Indian epics, *Ramayana* and *Mahabharata*; the Iranian epic *Shah-ama*; and the Kirghiz epic, *Maneisi* [name as published] can compare in historical and real significance with the long epic *Joyous Knowledge* [fule zhihui]. Basically, what needs to be addressed in such a method, the impassioned sweeping aside in a single blow virtually half the world's ancient literature, is not academic error per se, but the "mad Wuerkaerte" style of inflated mentality.

Implications Not "Culture"

Borrowing from the past to explain the present and publicizing division and "independence" is what the author does in this trilogy. Some people praise the author as a "representative of a national culture," but this can only deceive naive youngsters.

The implications of the author's rambling on are decidedly not "culture." For example, in "The Uygur," he states that "Uygur grasp of Islam played a greater role than Buddhism in inspiring fighting ability. He concludes that the Uygurs began to understand the need to accept Islam. Only by striving to ...make the Uygurs into a people who believe in a single religion was it possible...to build a unified, powerful nation....The Uygurs and the tribes who became their brothers abandoned shamanism and Buddhism, willingly converting to Islam."

Is he talking only about religion? Certainly not. Here the author is covering up and expounding the historical fact of countless bloody "holy wars" in the process of propagating Islam. He is explaining these wars as a subjective warfare spirit that all the Uygurs "willingly" accepted and carried forward. "Culture" becomes "militarization."

Is he talking only about history? Certainly not. Next, the author says rather inferentially: "To this day, the Uygur people still commemorate Ali Aersilan Khan (Note: Meaning the Khotan Khan who converted to Islam). Every autumn, they come to 'Aoerdamu' [name as published] to pay their respects,...as many as several hundred thousands in some years." Here the author

closely links the Mazha [name as published] reverence activities of the faithful with the subjective battle spirit that he preaches. Is not his goal of provocation and incitement clear?

Please note yet another line that the author says with a national "elitist" air: "In the same way that my people desire, I anxiously await the possible birth from among present authors and poets,...in the near future (at least in the early 21st century) of a Uygur *Shah-ama* [Book of Kings] and a Uygur Firdausi [the Persian author of the *Shah-ama*] portraying the historical events our ancestors went through from ancient times to the present."

The readers may think it strange that the author did not talk down the *Shah-ama* as being unequal to *Joyous Knowledge*. Why did he not call upon poets and authors to write a modern *Joyous Knowledge*? instead of highly praising the *Shah-ama* and holding it up as a model? Naturally there is a "hidden reason" that the author finds inconvenient to express. One of the mysteries is that the *Shah-ama* tells of a people's "historical events from ancient times until the present," while *Joyous Knowledge* does not. The second mystery is that the *Shah-ama* describes hatred, enmities, and wars among different ancient peoples and different areas, but *Joyous Knowledge* does not. So the author is forced to turn to praise of the *Shah-ama*. Actually, his own trilogy is the practice that he calls for above. Use of the *Shah-ama* as a come-on in inciting national splittist sentiment is truly a perversion of the Iranian people's cultural legacy.

The veiled and distorted intention of the above line that the author spoke in 1988 appeared starkly during 1989. Please note the following passage from this *The Uygurs*.

"What is the most profoundly painful lesson that we should draw from the history of the Kara Khanate?...Had the unified, powerful, and civilized Kara Khanate that existed in AD 1040 not divided into two separate eastern and western khanates, it would not have become the vassal of the Khitans in later history, nor would it have become a vassal of the Seljuk Dynasty from time to time. Instead, it would have endured for generations. As an extremely powerful country, it would have made an enormous contribution to the historical development of central Asia as well as the Orient and the Occident. In later generations, it would also have been

able to take control of the fate of its own territory. From the prosperous life of its people would also have come more Yusufu Has Hajifus, and Mohammed Kashgaris....the historical fate of the Kara Khanate cannot help but make us remember a saying that our ancestors have left us: When two tigers fight, it is the hunter who benefits."

There is no need to explain pedantically to the author here that the division and the destruction of the Kara Khanate stemmed from profound historical laws. The important thing is to ask the author the following questions:

Were not the Uygurs' "posteriority" themselves able to take control of the fate of their own "territory"? What does the author mean by "territory"?

In the expression, "when two tigers fight, it is the hunter who benefits," to whom does the "tiger" refer? And who is the "hunter"?

Do not suppose that the author is talking about "history." He fears lest his intention not be understood, so he angrily writes the following in another place: "The desires of the Turkish people for independence has begun to surge like a terrifying wave pounding a steep cliff. The name of the lionhearted hero of surpassing moral quality, Jieshelu, is and will forever be in the hearts of those who have and who are fighting for the emancipation and the independence of the people."

Please note the phrase, "those who are fighting." This is a crucial statement in the three books. If this phrase does not only show that the author has issued a futile call in the three books for the historical specter of pan-Turkism in the hope of arousing concerted action from divisive national forces in China and abroad, what does it show?

The trilogy regards the false as true, the unreal as real, and the absurd as correct. It calls white as black, and black as white. It systematizes scattered erroneous points of view, organizing them into a reactionary conceptual system that includes political points of view, historical points of view, nationalities' points of view, and cultural points of view. It uses this to contend with socialist ideology in a vain attempt to take its place. Their poisonous and harmful role cannot be underestimated. We must conduct a resolute and protracted struggle against these reactionary falsehoods.

KMT Firm on Constitutional 'Continuity'

*OW1308094191 Taipei CNA in English 0915 GMT
13 Aug 91*

[Text] Taipei, Aug. 13 (CNA)—The ruling Kuomintang [KMT] will insist on the constitution's "continuity" while seeking amendment to the nation's basic law next year, KMT Secretary General James Soong said Monday.

The KMT will not tolerate any attempt to change the Republic of China's official title and its constitutional system, Soong said.

The KMT leader also reiterated the KMT's anti-communist and anti-Taiwan independence positions.

The broadside was directed mainly at the proposal of a number of oppositionists to write a new constitution for Taiwan.

Any "emotional" or "irresponsible" proposal could bring instability to the national revival bastion [passage as received], Soong said.

Soong added that he would not comment on the proposals of any political party but that the KMT will certainly remain firm on its commitment to promoting the well-being for Taiwan's 20 million residents as well as that of all Chinese.

Biographical Data on Dissident Cheng Tzu-tsai

91CM0522A Taipei TZULI WANPAO in Chinese
30 Jun 91 p 2

[Text] Cheng Tzu-tsai [6774 5261 2088], who caused a sensation at the time of the attempted assassination of Chiang Ching-kuo, has finally been successful in breaching the various barriers and returning to his native land from which he had been separated for 29 years. He is again walking on the soil of Taiwan, thus fulfilling his dream of returning home after the poetical "endless road in darkest nights."

Being blacklisted to prevent reentry to their native land was like an invisible net that for a long time kept overseas Taiwanese from following their trout-like instinct of returning home. Cheng Tzu-tsai's success this time in "jumping the exclusionary wall" to reach home, shows his willpower and courage. It also seems to give immeasurable encouragement to those fellow-countrymen who also have homes to which they cannot return, and it will kindle new hopes in many for the possibility of returning home.

On 24 April 1970, a shot was fired outside the Plaza Hotel in New York City that shocked everyone at home and abroad, but that also had for 34-year-old Cheng Tzu-tsai the consequence that he had to live the sad and frustrating life of a prisoner and an exile. However, on the evening of 22 June 1991, Cheng Tzu-tsai unexpectedly appeared most dramatically at the "rebels' dinner party," organized by the Organization for Taiwan Nation-Building. The crowd of over 1,000 people that was present there was highly surprised and rewarded him with a warm applause that went on for 10 minutes. Some were even moved to tears. From that time on, although braving all this time the danger of being seized and arrested, Cheng Tzu-tsai has been boldly and openly walking all over Taipei.

His determination to return to Taiwan for permanent residence, however, was another fateful turn in the latter part of his life, which also enabled him to reunite with all his family. Although Taiwan may seem to him changed and appear strange and chaotic, he still wants, without resentments and without repentance, to conclude his life in this place.

However, in judging Cheng Tzu-tsai's return through secret channels to his native land, there are two diametrically opposed views among Taiwan's society. Of course, people of the political opposition camp revere and hail Cheng Tzu-tsai as a "revolutionary hero." Some even admire his courage in trying to assassinate Chiang Ching-kuo who at that time was deputy prime minister. However, at the time of the assassination attempt, the man who "deserves recognition for having protected his lord," General Wen Ha-hsiung [3306 0761 3574], former commander-in-chief of the Combined Service Forces, indignantly pointed out that it made him sick at heart to see Cheng Tzu-tsai, a man who attempted to assassinate Chiang Ching-kuo, secretly sneak back

into Taiwan and be celebrated as a heroic figure. Furthermore, seeing with one's own eyes how some criminals appear in public, strutting about in heroic poses, makes one shake one's head. Has this society still any sense of justice? The Legislative Yuan was particularly incensed when Cheng Tzu-tsai went to watch its proceedings. This led Wang Tien-jing [3769 1131 4552], a Kuomintang [KMT] legislator, to lash out: How is it possible that the assassin of the head of state can come to watch proceedings of the legislature. But Wei Yao-chien [7614 5069 0051], a legislator of the Democratic Progressive Party, immediately threw a cup of tea into Wang's face, creating the water-throwing disturbance in the Legislative Yuan.

Actually, Cheng Tzu-tsai, after roaming about aimlessly in foreign countries for over 20 years, had only two to three years ago gradually affirmed his determination of returning to his native country. On 4 January of this year, he arrived in Taiwan on a plane from Japan with a visa under the changed name of Tai Ying-i [2071 2019 0001], issued by the Association of East Asia Relations but he was recognized by the customs, detained at Taoyuan Airport, and then returned to Japan on the same plane. This spurred him on to the resolution to risk, at any price, a violation of the National Security Law, and also risk incarceration by taking another long and difficult return trip to Taiwan.

Changes of fate are frequently beyond imagination. The shot that rang out 21 years ago in front of the Palace Hotel in New York not only shocked Chinese society at home and abroad, but had also serious consequences for the persons involved. As to Chiang Ching-kuo, the target of the assassination, not only did he escape calamity, but a few years later he advanced to become president of the Executive Yuan and later ascended the "throne" of "president of the Republic of China." Step by step, he gained all powers of the KMT and finally reached the summit of political power. But the fate of the other two persons involved was completely the opposite. From then on each had to live an exile's life with all its many hardships. The man who at that time had the assignment to assassinate Chiang Ching-kuo was 32-year-old gunman Huang Wen-hsiung [7806 2429 7160], who was a doctoral candidate at the social science department of Cornell University in New York State. After the failure of the assassination, he absconded, forfeited his bond, and went into hiding; for 20 years his movements have been a big mystery. Cheng Tzu-tsai, who had been an "accomplice," also had to pay a price. He spent somewhat over two and a half years in prison, and was forced to spend long months and years in Sweden and Canada far away from his homeland.

Thinking back to 24 April, Cheng Tzu-tsai believes that the assassination of Chiang Ching-kuo at that time was a spectacular event, and that it caused a strong upsurge in the movement among overseas Taiwanese. He believes that under the political conditions of that time, it was an effort that had to be expended for the future of Taiwan. He, therefore, has no regrets regarding the affair itself,

but his greatest regret is that because of the affair he had not been able to return to Taiwan.

In the winter of the year before last, Cheng Tzu-tsai and his brothers, from whom he had been separated for 28 years, met again for the first time in Vancouver. The renewed family bond with his brothers and a deep feeling for the homeland raised in Cheng Tzu-tsai, even though he was aware of the various difficulties, the desire to return to Taiwan. It still took Cheng Tzu-tsai almost half a year of secret planning until he successfully "jumped the exclusionary wall" and returned.

Cheng Tzu-tsai, 20 years ago, had earned his master degree in city planning from the Carnegie-Mellon University in the United States and was working at an architectural office in New York. The fact that he chose to take violent action against the heir to the head of state who had come from Taiwan to New York, and that he embarked on this road of no return without complaint or remorse, makes many people believe that he is a person of superhuman courage and willpower. However, there was nothing extraordinary in the school record and background on Taiwan of this contemplative, uncommunicative, and reticent person that Cheng Tzu-tsai is. It was only after 1962, when he went abroad to study in the United States, that he had his first contacts with the Taiwan magazine "TAIWAN CHINGNIEN" [TAIWAN YOUTH] and also with the United World Formosans for Independence. He was also much impressed by the civil rights movement of the Afro-Americans.

Cheng Tzu-tsai emphasizes that he is merely an ordinary and common person, whose best quality is that once he is determined to do something, regardless of all the difficulties, he will accomplish it in the end.

On Cheng Tzu-tsai's return to Taiwan in defiance of his being blacklisted, people cannot help being mystified and full of curiosity about the channels that had enabled his return. As to the Chiang assassination case of 24 April, which had already passed into a dust-laden memory, his return did remind the people of that event. Even though many people would not have forgiven him for that assassination attempt when it happened, all this by now has become past history. Conditions have changed. Cheng Tzu-tsai has also fully paid his penalty while today Cheng Tzu-tsai is struggling with realistic action for Taiwan where he hopes he can stay forever.

Space Development May Use Mainland Scientists OW1108055291 Taipei LIEN HO PAO in Chinese 8 Aug 91 p 1

[Text] In a report on a long-term plan for developing space science and technology presented yesterday, the State Science Commission under the Executive Yuan proposed investing \$13.6 billion new Taiwan dollars [NT\$] over a 15-year period to build three small satellites and asking other countries to help launch them. This long-term plan replaced the commission's original five-year plan which called for an investment of NT\$10

billion to build and launch two small satellites. Hsia Han-min, chairman of the commission, indicated yesterday that according to the 15-year long-term plan, a small Taiwan-made scientific and technological satellite will be launched on the sixth, 10th, and 14th year of the 15-year plan. After completion of the plan, the Republic of China [ROC] may set up a ground station for receiving resources information from satellites and establish a satellite manipulation capability, satellite testing and designing capabilities, and space science and technology research and development capabilities that would lead to the training of more than 300 science and technology personnel.

The State Science Commission proposed that a state space planning office be established under the Executive Yuan, that the State Space Science and Technology Guidance Group will be responsible for the new office's policy matters, and that the State Science Commission will be responsible for the new office's administrative matters. According to the State Science Commission's proposal, a space planning examination committee, an advisory group, and a department for the four special fields of study will be established under the new office. The department for the four special fields of study will comprise a components developing center, formed jointly by the Industrial Technology Research Institute and the domestic industrial circles, and a research and development center, a systems development center, and a mission execution center, formed jointly by the Industrial Technology Research Institute and academic circles. The mission execution center will be established at the resources-information satellite receiving station of the Central University.

According to the State Science Commission's original plan for making man-made satellites for scientific research purposes, a space exploration rocket will be test-launched some time around the national day celebrations this year. However, because the plan overestimated the ROC's scientific and technology strength and also because the ROC's mastering of launch technology is a sensitive matter, the United States has been paying a great deal of attention to the plan. After assuming the premiership, Premier Hao Po-tsung criticized the space program as unrealistic. He gave instructions to form a new satellite program guidance group to draw up a new satellite program.

Yesterday, after listening to a report from the State Science Commission's long-term plan for developing space science and technology, Premier Hao Po-tsung instructed the commission to attempt to raise the scientific and technological level as a whole and to do its best to absorb relevant qualified personnel from the mainland. The director of the Satellite Development Planning Office, which is directly responsible for implementing the space program, should be someone who has experience in designing space systems and manufacturing satellites, because the director is the nucleus of planning, said the premier, adding that so long as the director can

help us achieve our objective, this person may not necessarily be a ROC citizen.

Premier Hao Po-tsung said: The state's program for developing space science and technology should be clearly defined. That is to say, the long-term development plan should be the basis for raising the ROC's scientific and technological level as a whole, including the level of aviation and space-industry technology. However, there should be flexibility, consistency, and continuity in our program.

He pointed out: While capital is not a problem, the lack of qualified personnel is. Some of the scientists who took part in the launching of the Chinese communists' satellite in 1970 are now wandering about in other countries. If we can invite them to come to Taiwan to participate in our space program, our research time will be shortened. Therefore, we should do our best to absorb relevant scientific and technological personnel from the mainland.

Hsia Hanmin, chairman of the State Science Commission, told the premier that the commission has collected a rough namelist of mainland scientific and technological personnel.

Breakthrough Sought in Nuclear Power Plant Project

*OW0808094791 Taipei CNA in English 0830 GMT
8 Aug 91*

[Text] Taipei, 8 Aug (CNA)—The Ministry of Economic Affairs will seek a breakthrough in a long-stalled construction project in the country—a fourth nuclear power plant, a ranking ministry official said Thursday.

Construction on the proposed nuclear power plant in Kungliao, Taipei County by the state-run Taiwan Power Company has long been delayed by strong opposition from environmentalists and residents near the proposed site.

With the upgrading of pollution control technology, the official said, Taipower can effectively minimize damage to the environment in the plant's nearby areas.

The ministry will strengthen communications with residents in the vicinity of the proposed plant to win their support for the important energy development project, the official said.

Government Considering Importing South African Cars

*OW0908114691 Taipei CNA in English 0753 GMT
9 Aug 91*

[Text] Taipei, Aug. 9 (CNA)—The issue concerning the import of South African automobiles may become clear when Economic Affairs Minister Hsiao Wan-chang returns from his visit to that country Sunday, a ranking official said.

Yang Shih-chien, director general of the Industrial Development Bureau, said the import, long demanded by South Africa, could be realized soon since economic ties between the two countries are getting closer and closer.

Hsiao is leading a Republic of China delegation at a bilateral economic cooperation conference in Pretoria.

Yang noted that South Africa has hoped to export 2,000 passenger cars to Taiwan a year, a request which Taipei wishes to be reciprocated through the South African import of Taiwan-made parts and components.

One of the topics Hsiao is discussing with his South African counterpart concerns "mutually beneficial" measures regarding car import and parts export, Yang said.

Yang personally believes that the government will soon open the local automobile market to South African cars.

Taipei To Enact Foreign Aid Bill

*OW1008092791 Taipei CNA in English 0809 GMT
10 Aug 91*

[Text] Taipei, Aug. 10 (CNA)—The Ministry of Foreign Affairs has taken steps to draft a foreign aid bill in order to institutionalize the Republic of China's [ROC] assistance to other countries, Foreign Minister Fredrick Chien said Friday.

Speaking at a luncheon in honor of the participants in the Taiwan-Philippine Economic Conference held in Taipei, Chien said if the bill is enacted, it will cover grants and loans, as well as assistance in fishery, agricultural, and industrial development.

The Foreign Ministry has consulted other government agencies for their opinions on the drafting of the bill, which would be referred to the legislative yuan for deliberation and enactment during the coming session.

Development of HDTV To Be Accelerated

*OW1008121391 Taipei CNA in English 0830 GMT
10 Aug 91*

[Text] Taipei, Aug. 10 (CNA)—The Industrial Development Bureau (IDB) has formulated a package of measures to promote the high definition television (HDTV) industry here, an official said Friday.

As HDTV and other high definition video machines will be at the "core" of the next generation of consumer electronics industry, the official said, Taiwan cannot afford to lag behind in the development of HDTV technology.

According to the IDB plan, a task force will be formed under the Ministry of Economic Affairs to accelerate the development of HDTV industry.

The ministry will provide tax and financial incentives to encourage private investments in the production of HDTV which will be able to provide more detailed pictures than current TVs.

Prospective investors will have priority in acquiring land in government-developed industrial zones to house their HDTV plants, the official said.

The ministry will also help local manufacturers form joint ventures with foreign counterparts to manufacture HDTVs here.

Six University Professors Join DPP

OW1308134891 Taipei *Voice of Free China in English*
0200 GMT 13 Aug 91

[Text] Six university professors were initiated into the Democratic Progressive Party [DPP] on Monday morning. The six university professors are Chang Chung-tung, (Chen Shih-meng), and (Chang Tien-hsi) from National Taiwan University; Lin Yu-chi from Taiwan Normal University; Liu Chuan-hsiu from National Chiao-tung University; and Yang kuo-sheng from Tan-chiang University.

The professors claim they are entering the DPP to help promote the party's social foundation, solve factional disputes within the party, and contribute to the long-term development of democratic government in Taiwan.

Professor (Chiang Ching-hung) of National Taiwan University said the existence of an oppositionist party is crucial to the establishment of a democratic government. The entry of university professors into the DPP will elevate the image of the oppositionist party with social support for the party, and speed up the arrival of a truly democratic government in Taiwan.

KMT Forms Task Force on Constitutional Reform

OW1408101291 Taipei *CNA in English* 0858 GMT
14 Aug 91

[Text] Taipei, Aug. 14 (CNA)—The Kuomintang [KMT] Central Standing Committee approved the appointment of 14 members to a party Task Force on Constitutional Reform Wednesday.

Li Yuan-tsui is the Task Force convener. Other members are: Hao Po-tsun, Tsiang Yien-si, Lin Yang-kang, Li Huan, Huang Tsun-chiu, Chiu Chuang-huan, Sung Chu-yu, Liang Su-yung, Lin Chin-sheng, Wego Chiang, Chu Shih-lieh, Shih Chi-yang, and Lien Chan.

Sung Chu-yu, secretary general of the KMT Central Committee, said the Task Force will have research and coordination divisions.

The Task Force will concentrate on communicating with other political parties and civilian leaders in order to expand participation in the constitutional reform process, Sung said.

The Task Force will be charged with forging a party consensus on how to amend the constitution so that it will be more in tune with the changing times.

Foreign Exchange Reserves To Support Local Investments

OW1508101191 Taipei *CNA in English* 0849 GMT
15 Aug 91

[Text] Taipei, Aug. 15 (CNA)—The government will use the nation's foreign exchange reserves to support major domestic investment projects, Central Bank Gov. Samuel Shieh said Wednesday.

The Republic of China has 72.16 billion U.S. dollars of foreign exchange reserves, according to the latest official statistics.

If domestic enterprises have legitimate need for foreign exchange to finance their investment projects at home, the Central Bank may meet their need by means of refinancing through commercial banks, provided that the projects have been approved by the Ministry of Economic Affairs on the ground that they may substantially contribute to the nation's economic development, he said.

The Central Bank began last year to use foreign exchange reserves to assist domestic enterprises in their venture to make investments abroad, and to acquire foreign natural resources, high technology, business administrative know-how, marketing networks, and pollution control technology.

MOEA To Study Impact of Foreign Investments

OW1408095691 Taipei *CNA in English* 0852 GMT
14 Aug 91

[Text] Taipei, 14 Aug (CNA)—Increasing investment in Southeast Asia by local enterprises represents an exodus of labor-intensive industry and will not necessarily hollow out manufacturing here, according to a report by the Chung-hua Institute for Economic Research.

The institute was commissioned by the Ministry of Economic Affairs (MOEA) to survey 623 local business enterprises and manufacturers on the impact of foreign investments on Taiwan's economic development. This is the first such study by the government.

MOEA said that the survey will help the government better understand motives of local enterprises which are investing abroad, their difficulties in operating business locally and their needs for government assistance.

The survey found that increasing investment in Southeast Asia has not had an adverse impact on Taiwan's economic development but has resulted in a declining labor-intensive industry. Overseas investment, it said, is a natural development in the process of upgrading industrial structure.

The survey reported that such labor-intensive industries as textiles, plastics, leather and wood businesses enjoyed rapid growth in the early 1980s but declined in the late 1980s when technology-intensive industries were growing quickly. Foreign investments therefore were seen as a possible route to survival.

Most local enterprises planning to invest abroad intend to keep high-value production in the country and to find foreign production bases for their low-end products, the report said. Reducing production costs and expanding export markets are other reasons for overseas investments.

After collecting the opinions of the surveyed enterprises, the institute suggested that the government further improve the local investment climate by finding solutions to labor shortages, land acquisition and funding troubles. It hopes the government will provide more trade information, strengthen the functioning of industrial associations and expand the services offered by ROC trade offices abroad.

Private Manufacturers To Increase Investment

OW1608091891 Taipei CNA in English 0822 GMT
16 Aug 91

[Text] Taipei, Aug. 16 (CNA)—Private manufacturing investment willingness will increase in 1992, according to a report by the Directorate General of Budget, Accounting and Statistics (DGBAS).

In order to better understand private investment willingness, DGBAS surveys manufacturing industries in January and July of every year.

DGBAS asked 1,109 Taiwan manufacturers in July this year about their investment projects for 1992 and found that surveyed companies expect to invest a total of 86.4 billion NT [new Taiwan] dollars (3.2 billion U.S. dollars) in 1992, a negligible 0.74 increase over targeted investment this year.

The survey reported that textiles and plastics industries will lead other industry investments. Steady economic recovery in the United States and Europe and increasing demand in Mainland China and Southeast Asian countries for textile products will contribute to the booming business of the local textile industry. Investments in renewing equipment to rise 46.99 percent in 1992 will also lead other industries.

Because of falling international petrochemical prices and increasing U.S. market demand, the local plastics industry is planning to increase investment in equipment modernization by 17.48 percent next year, the survey found.

Some 58.62 percent of the surveyed manufacturers said they will give top investment priority to expanding production capacity, followed by equipment modernization. Investment in equipment to be used for research and development purposes will also increase 24.65 percent in 1992. Plastics and metal industries will lead other industries in making such investments.

Paper making, leather and wood product processing will see investment decline 40 percent because of labor shortages, a lack of capital for production automation and prices increase in imported materials. Most of those industries have moved their production abroad for survival.

'Buy American' Mission Leaves for U.S.

OW1608095191 Taipei CNA in English 0808 GMT
16 Aug 91

[Text] Taipei, Aug. 16 (CNA)—Taiwan's 17th "Buy American" trade mission leaves for the United States Friday to buy 600,000 metric tons of wheat.

Led by Lin Yi-fu, deputy director general of the Board of Foreign Trade, the trade mission will visit eight states—Washington, Idaho, Montana, Wyoming, Nebraska, South Dakota, North Dakota, and Kansas. The trip will also take them to Washington, D.C.

The trade mission includes members of the Taiwan Flour Mills Association and officials of the Central Trust of China.

Petroleum Company Expects To Resume Kuwaiti Oil Imports

OW1608223791 Taipei CNA in English 1502 GMT
16 Aug 91

[Text] Taipei, 16 Aug (CNA)—Chinese Petroleum Corp. (CPC) is expecting to resume oil imports from Kuwait, but might have to wait until next year, a spokesman said Friday. [passage indistinct]

Since the production is still limited, the spokesman said, CPC is unlikely to import oil from Kuwait before the end of the year, when the operation of the emirate's state-run oil company is expected to return to normal.

After then, the Republic of China's state-run oil company hopes to reestablish its close business relationship with Kuwait, he added.

New Statistics Show Growth in Foreign Trade

OW1708104791 Taipei CNA in English 0802 GMT
17 Aug 91

[Text] Taipei, 17 Aug (CNA)—Taiwan exports totaled 2.32 billion US dollars in the first ten days of August, a 5.9 percent increase over the same period of last year while imports reached 1.79 billion US dollars, up 20.9 percent, according to customs statistics. The trade surplus was 530 million US dollars.

Imports have continued growing since June and are expected to maintain double digit growth for the next half year along with increase in public expenditure.

Exports totaled 45.5 billion US dollars in the first eight months of this year, a 13 percent increase over the same period of last year, and imports were 38.1 billion US dollars up 14.8 percent, leaving a surplus of 7.4 billion US dollars.

If the exchange rate of the new Taiwan dollar remains steady, foreign trade will continue booming in the next six months of this year, customs official said.

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